Regional Housing Market Study Analysis

Roanoke Valley-Alleghany Region

This study provides demographic, economic, household, and housing analyses outlining the shifting market dynamics across the Region.

Roanoke Valley-Alleghany
REGIONAL
commission

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Special Thanks To:
Franklin County, the City of Roanoke, Roanoke County, the City of Salem, and the Roanoke Valley Association of Realtors for providing current and historic home sales data.

Each of the 10+ interviewees that took time to speak with the consultants, RKG Associates, and discuss the challenges and opportunities facing the Roanoke Valley-Alleghany Region.

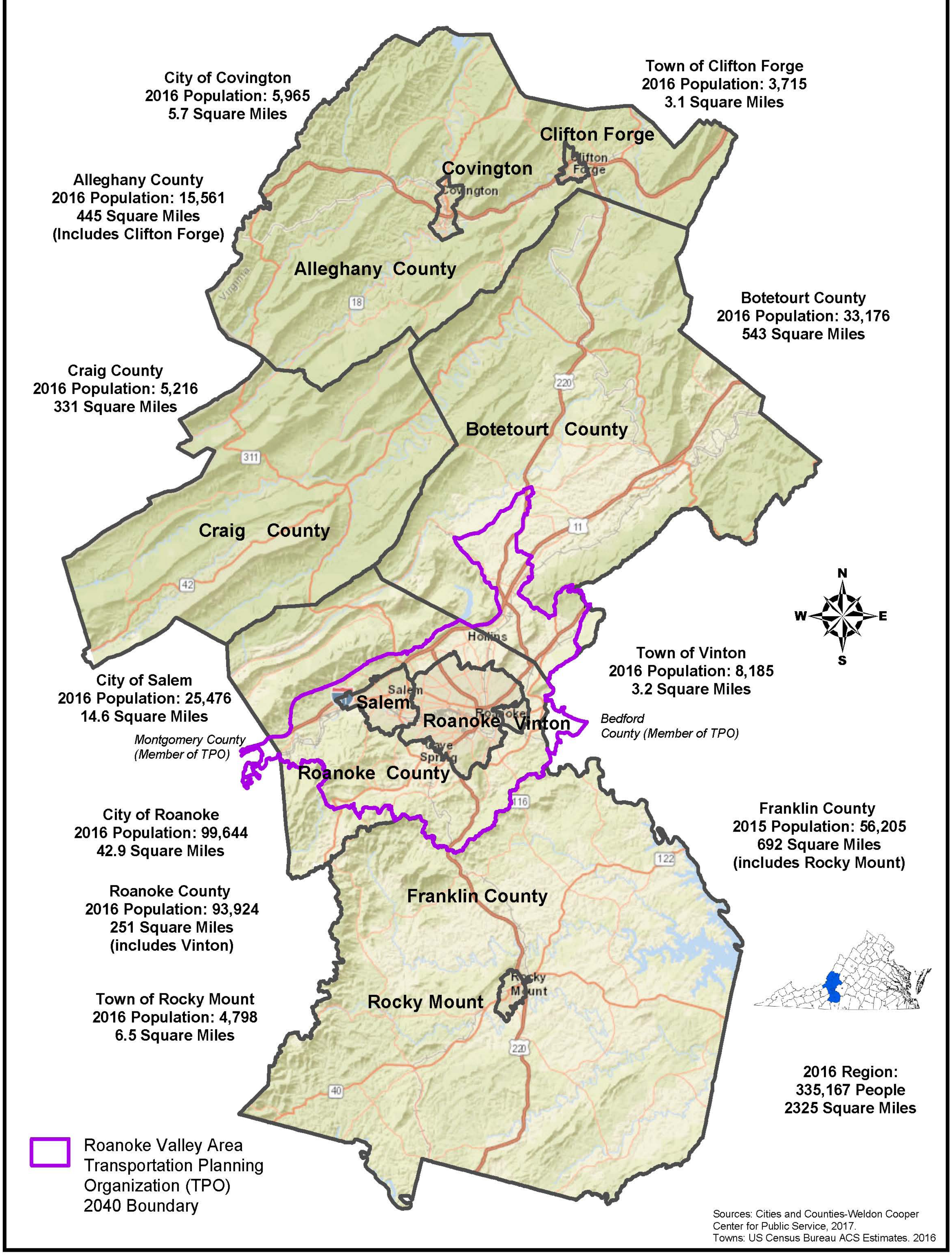
SECTION 1

Executive Summary

RKG undertook an analysis of the Roanoke Valley-Alleghany Region which is made up of the following localities: Alleghany, Botetourt, Craig, Franklin, and Roanoke Counties; the Cities of Covington, Roanoke, and Salem; and the Towns of Clifton Forge, Rocky Mount, and Vinton. This study provides demographic, economic, household, and housing analyses outlining the shifting market dynamics across the Region. The regions of Central Shenandoah PDC (CSPDC) and George Washington Regional Commission (GWRC) were used as comparison regions as part of the analysis. This study points to several challenges the Region is facing as it works to address housing needs which include:

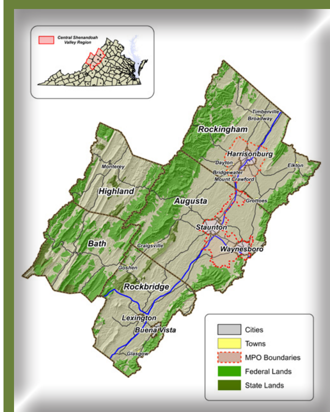
1. The Region's population has been slowly, but consistently, growing over the last 50 years, with the percentage of elderly population increasing.
2. One, two, and three-person households comprise the largest share of households in the Region, but over the last five years more growth has occurred in larger households of four or more people.
3. The number of vacant units has been increasing in the Region. This in part has been driven by the seasonal home market which accounts for 30% of all vacant units.
4. The Region's industry sectors are varied, particularly those that are poised to grow over the next five years. The mix of higher paying jobs in sectors like Healthcare and Manufacturing are increasing purchasing power in the Region, yet at the same time there is continued growth in lower paying hourly wage jobs in Accommodations, Retail, and Food Services. Lower wage hourly positions can make affording housing in the Region more challenging thus exacerbating the need for affordable housing to those earning at or below 50% of the area median income (AMI).
5. Nearly 82% of housing units in the Region were constructed before 1980, leaving the Region with a much older housing stock than what is found in many other parts of the state. This has led to lower owner-occupied home values and sales prices in localities with higher numbers of older units.
6. Over the last five years, median gross rent in the Region increased by 14%. The average rent for a single-family home is around $1,000 per month, while rent in multifamily buildings averaged $1,200 per month.
7. There are significant differences in the percentage of renter of owner households classified as cost burdened across the Region. Approximately 20% of owner households are experiencing some level of cost burden compared to 41% of renters. It is typical to see a broad difference between these two groups, but also speaks to the need for affordably priced housing for renter households.
8. The number of renter households that qualify for affordable rental housing at the 30% of AMI level exceeds the number of units available at that price point. There is a projected deficit of 5,324 units, meaning many extremely low-income households are having to spend more than is recommended on housing costs. This further exacerbates housing affordability and cost burden challenges.
9. A key constraint to addressing housing issues in the Region is the shrinking financial resources available to local governments. Housing programs are limited, forcing all levels of government to make decisions for how to prioritize funding sources.

Roanoke Valley-Alleghany Region

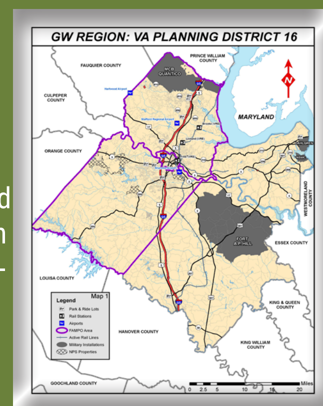


SECTION 2

Study Structure



This section of the study presents an overall introduction to the project, its purpose, and role in helping analyze and understand the housing market in the Roanoke Valley-Alleghany Region (the Region), and comparative regions such as the Central Shenandoah PDC (CSPDC) and George Washington Regional Commission (GWRC). The CSPDC represents and serves the local governments of Augusta, Bath, Highland, Rockbridge, and Rockingham counties and the cities of Buena Vista, Harrisonburg, Lexington, Staunton and Waynesboro as well as the 11 towns within the Central Shenandoah region. The GWRC is a planning district comprising the City of Fredericksburg and the counties of Caroline, King George, Spotsylvania and Stafford. Each commission's area of focus includes economic development, environmental services, human services (including homeless services support), affordable housing, transportation demand management, and rural and urban transportation planning.



INTRODUCTION

Across the Region, and nationally, home prices have risen over the last decade. The recovery from the Great Recession led to an increased interest in homebuying and renting, which has increased housing prices. In many markets, supply has not kept pace with demand, which is only expected to increase over time. Circumstances have occurred in which home values and rents have risen faster rate than wages in many communities, leaving individuals and families priced out of the housing market.

Housing affordability and price security are critical components for creating places where residents can live comfortably without feeling stretched financially. As housing prices and rents rise alongside most other monthly expenses, more and more households are having difficulty adjusting to the rising cost of living. This creates a situation where households become cost burdened and are forced to spend more than the recommended 30% of their monthly income on housing-related costs. For many households, this can create a ripple effect where other monthly expenses are scaled back or cut out completely. Food, healthcare and wellness, transportation, and childcare are some of the basic household needs that can go unmet in the face of rising housing costs.

Understanding the economic landscape can help policymakers identify needs and align and direct the requisite resources towards priority actions. Across the Region, economic opportunities vary as do incomes, but a central commonality is that housing is a fundamental need which also defines a community – a collection of households that creates place. Ensuring that housing is available and affordable to all income levels is critical for growing and sustaining our communities long term.

This study, which was commissioned by the Roanoke Valley-Alleghany Regional Commission (RVARC), provides information on housing issues and opportunities within the Roanoke Valley-Alleghany Region.

PROJECT PURPOSE

The goal of the Roanoke Valley-Alleghany Region Housing Study is to analyze, identify, and prioritize needs and gaps in the rental and for-sale housing market. This study, convened by RVARC and conducted with the assistance of a Housing Study Stakeholder Group made up of key stakeholders, aims to paint a picture of the housing landscape for the Region through rigorous quantitative and qualitative data analysis and synthesis. The results will help decision makers adjust, add, or reconfigure existing programs and strategies to match the needs of current and prospective residents.

ROLE OF STUDY

The Roanoke Valley-Alleghany Region study is a compilation of regional analyses relating to demographics, socioeconomics, and housing. It identifies data points and highlights key findings. The purpose of the document is to allow policymakers at the local and regional level to understand the historical, current, and future challenges to housing across the Region. The quantification of issues, especially those related to housing supply and demand, are important for imparting regional change. Please note that the terms “affordable”, “attainable”, and “workforce” housing are used interchangeably throughout the document to generally describe housing that is priced to households with average or below average incomes.

The study utilizes knowledge gained from extensive data analysis to examine the challenges facing the housing market. The study includes a section on identified housing barriers and gaps, an analysis of broadband infrastructure, as well as a discussion of housing strategies and recommendations for future housing programs.

SECTION 3

Prior Plans and Key Findings

ALLEGHANY HIGHLANDS REGION COMPREHENSIVE HOUSING ANALYSIS


Comprehensive Housing Analysis
Alleghany Highlands Region
Alleghany County, Virginia

Prepared for:

Mr. Jonathan A. Lanford
Alleghany County Administrator

April, 2019

S. Patz and Associates, Inc.
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The other aspect of the home sales market in the Alleghany Highlands is the resale market. These are "described" in the photos to follow. These photos show 11 mature and smaller homes for sale in the $125,000 to $170,000 price range, mostly. One larger home is priced at $320,000 for 4,000 square feet.

The more moderate-priced homes are moderate in size at 1,400 to 2,000 square feet. The home on McCormick Boulevard (Note 1) is 3,100+ square feet in size. All of these homes are publicly listed and actively marketed by local realtors.

3BR/ 2BA - $159,000
3BR/ 2BA - $169,900
2BR/ 1BA - $125,000
4BR/ 4BA - $189,000
3BR/ 2BA - $169,900
2BR/ 1BA - $135,500
4BR/ 2BA - $319,900 1/
3BR/ 2BA - $149,900
3BR/ 3BA - $155,000

Note: 1/ Street addresses are not presented in this report.

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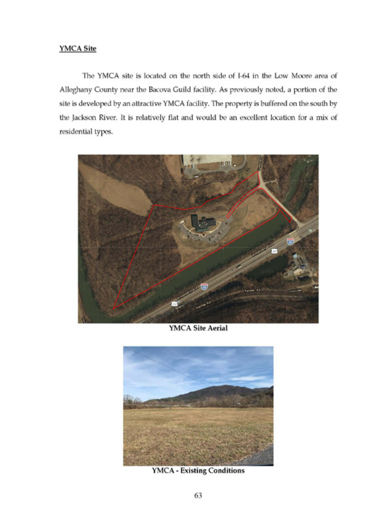
This study completed in 2019 for the Alleghany Highlands Region included several key take-aways from the analysis. The primary conclusion is the lack of new housing development is not related to housing demand, but instead housing supply. There is a potential housing market in the Highlands region but there is a lack of developers bringing new product to the market, much of which is predicated on the regional economy strengthening and growing.

The second conclusion is there are several available, publicly-owned development sites that could be used to accommodate both single - family and multifamily housing for families and older adults. While public officials have recognized and supported plans for new housing development, there has not been a concerted effort to properly zone sites and ensure infrastructure is in place to facilitate development.

Lastly, there is a need for large employers in the area to assist in housing development strategies through a joint marketing effort. The region needs to work to ensure employees (new and existing) are aware of future housing opportunities and should conduct periodic surveys of employees around housing preferences to pass along to home builders in the area. This could help market the region to these employees, but also provide builders with a sense of market potential and pent-up demand.


YMCA Site

The YMCA site is located on the north side of I-64 in the Low Moore area of Alleghany County near the Bacova Guild facility. As previously noted, a portion of the site is developed by an attractive YMCA facility. The property is buffered on the south by the Jackson River. It is relatively flat and would be an excellent location for a mix of residential types.

YMCA Site Aerial

YMCA - Existing Conditions

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BOTETOURT COUNTY MARKET ANALYSIS

Countywide Market Analysis
For-Sale and Rental Housing
Botetourt County, Virginia

Prepared for:

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November, 2016

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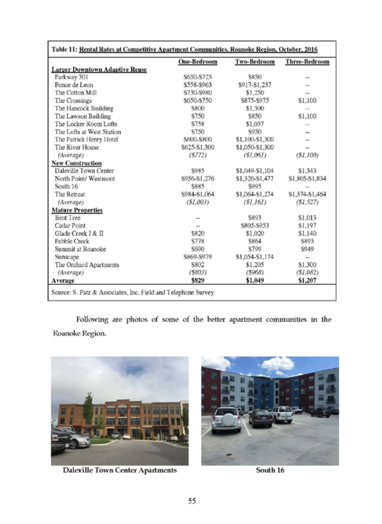

Table 11: Rental Rates at Competitive Apartment Communities, Roanoke Region, October, 2016

	One-Bedroom	Two-Bedroom	Three-Bedroom
Larger Downtown Adaptive Reuse			
Parkway 301	$650-$725	$850	--
Ponce de Leon	$558-$963	$917-$1,237	--
The Cotton Mill	$730-$980	$1,250	--
The Crossings	$650-$750	$875-$975	$1,100
The Hancock Building	$800	$1,300	--
The Lawson Building	$750	$850	$1,100
The Locker Room Lofts	$758	$1,037	--
The Lofts at West Station	$750	$950	--
The Patrick Henry Hotel	$600-$800	$1,100-$1,300	--
The River House	$625-$1,300	$1,050-$1,300	--
(Average)	*($772)*	*($1,061)*	*($1,100)*
New Construction			
Daleville Town Center	$985	$1,049-$1,104	$1,343
North Point/ Westmont	$956-$1,276	$1,326-$1,477	$1,805-$1,834
South 16	$885	$995	--
The Retreat	$984-$1,064	$1,064-$1,274	$1,374-$1,464
(Average)	*($1,003)*	*($1,161)*	*($1,527)*
Mature Properties			
Bent Tree	--	$893	$1,013
Cedar Point	--	$805-$953	$1,197
Glade Creek I & II	$820	$1,020	$1,140
Pebble Creek	$778	$864	$895
Summit at Roanoke	$690	$799	$949
Sunscape	$869-$979	$1,054-$1,174	--
The Orchard Apartments	$802	$1,205	$1,300
(Average)	*($803)*	*($968)*	*($1,082)*
Average	**$829**	**$1,049**	**$1,207**

Source: S. Patz & Associates, Inc. Field and Telephone Survey

Following are photos of some of the better apartment communities in the Roanoke Region.

Daleville Town Center Apartments

South 16

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This study completed in 2019 for Botetourt County was intended to identify new housing opportunities for new employees who are projected to work in the county over the next 5+ years. Of the 1,200 new employees expected across the county, most are likely to have annual incomes at or below $45,000. Many of these workers will require rental housing and/or affordable housing, particularly those that comprise single-income households. The new home market in the county is at a price range of $250,000 and above which would exceed what a $45,000 income could support. The study also identified a severe lack of quality rental housing in the county, and limited housing options across the broader region. Key findings from this study include:

- The general lack of affordable housing, particularly rental housing, will limit the county's ability to attract new employees to live in the county.
- The county has limited land zoned for apartment unit development and current zoning density for multifamily housing is likely too low to attract developers and meet financial return expectations.
- There are few sites today that are readily available for apartment unit development, but several, with rezoning, that could serve the county's needs. Readying these sites is key to serving the county's housing needs.

Berkley Commons

Data on the new home sales market show that the market for new construction homes in Botetourt County has been slow. Realtors report that new home buyers require incomes of $70,000+ for the townhomes and $100,000+ for the single-family homes.

Rural Residential Developments

Botetourt County contains a large number of rural residential lots without access to water and sewage. These are scattered lots, not located in any designated subdivision. The developed lots are almost all single-family homes. This type of development is situated in the rural segments of the County, largely on land previously used for agricultural or forestry. These include both estate homes and more modest dwellings. No significant growth in this segment of the market is anticipated.

Other Residential Developments

The remaining residential lots in Botetourt County are in mature subdivisions located in several existing subdivisions in the southern portion of the County, generally south of Fincastle. These subdivisions have access to water and sewage. These are either built out, have had vacant lots with no construction activity for several years, or are subdivisions where only lots are being sold with very few, if any, speculative home

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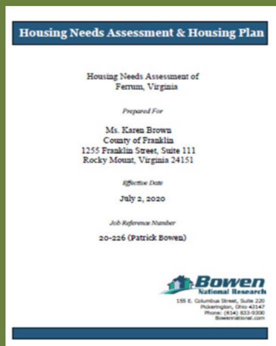
FERRUM HOUSING NEEDS ASSESSMENT AND HOUSING PLAN



Housing Needs Assessment & Housing Plan

Housing Needs Assessment of
Ferrum, Virginia

Prepared For

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Effective Date

July 2, 2020

Job Reference Number

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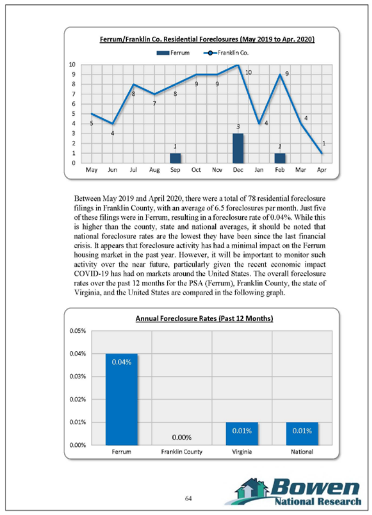

Between May 2019 and April 2020, there were a total of 78 residential foreclosure filings in Franklin County, with an average of 6.5 foreclosures per month. Just five of these filings were in Ferrum, resulting in a foreclosure rate of 0.04%. While this is higher than the county, state and national averages, it should be noted that national foreclosure rates are the lowest they have been since the last financial crisis. It appears that foreclosure activity has had a minimal impact on the Ferrum housing market in the past year. However, it will be important to monitor such activity over the near future, particularly given the recent economic impact COVID-19 has had on markets around the United States. The overall foreclosure rates over the past 12 months for the PSA (Ferrum), Franklin County, the state of Virginia, and the United States are compared in the following graph.

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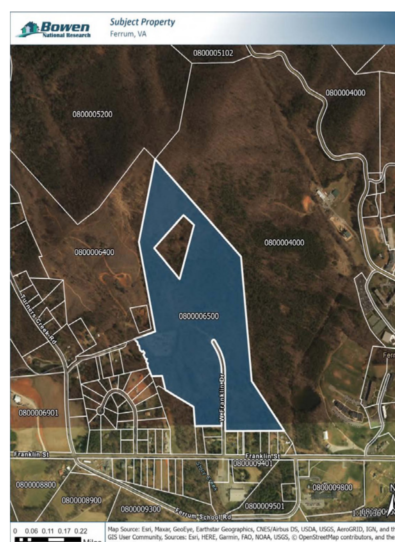
Bowen National Research

This study completed in 2020 for Ferrum was intended to provide a detailed description of the demographics, economics, and housing inventory of Ferrum and the surrounding area that impacts Ferrum. The findings from this study, included below, were then used to provide a recommended housing plan to be considered for implementation. Key findings in this study include:

1. There is limited availability within the existing housing inventory with a shortage of units available to both owner and renter households at varying levels of affordability. Housing product should be diversified to include single family homes and multifamily buildings.

2. Adopting a regional approach to housing solutions would benefit all involved. Many of the housing challengs around availability and affordability exist beyond the boundaries of Ferrum.

3. A regional approach would also help to attract commuters to Ferrum and Franklin County. Local employers, chambers, economic development officials, and real estate professionals should work together to market the area to commuters.

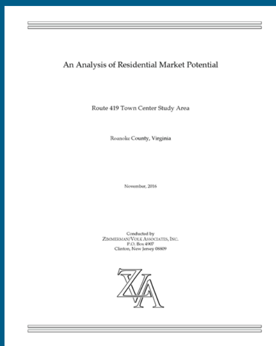


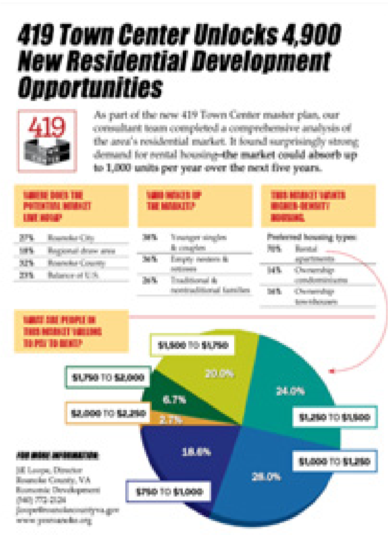
4. Prioritize efforts to develop / redevelop vacant sites and buildings, particularly those already served by infrastructure. Local government entitities may wnat to develop a list of sites to market to the development community.

5. Support housing that would allow senior residents to downsize into housing that would better accommodate their needs. This should include a mix of both rental and for-sale product such as apartments and condominiums.

6. Support efforts to develop new single-family housing and couple that with first-time homebuyer assistance programs.

ROUTE 419 TOWN CENTER RESIDENTIAL MARKET STUDY





This study completed in 2016 was intended to identify the market potential and optimum market position for new housing units that could be developed within the proposed Route 419 Town Center area in Roanoke County. The study identified market potential for up to 500 units over a five-to-seven-year absorption period. The recommendation of the study was to concentrate new residential development on the higher-density housing types which could be more easily integrated into the commercial development already existing in the study area.

The study recommended the split of the 500 units include 70% multi-family rental housing units, 14% multifamily condo units, and 16% single-family attached units (townhomes). With this mix of housing types, the study recommended targeting empty-nesters and retirees, younger singles and couples, and traditional and non-traditional families. Price points were projected to be in range with what the county is already experiencing where 72% of all multifamily units would be priced below $1,500 per month. The study also recommended 80% of all for-sale units be priced at $250,000 or less.

The market position for the study area is predicated on a walkable town center design that can attract people, differentiate itself from other areas of the market, and command higher rent and sale prices. The town center area would not only need to be a walkable place, but also contain a mix of uses that would appeal to renters and buyers across the income and age spectrum. The study identifies the ability of walkable town centers to command a price premium of 35% on rental products and 15% on for-sale condos.

SECTION 4

Demographic Assessment

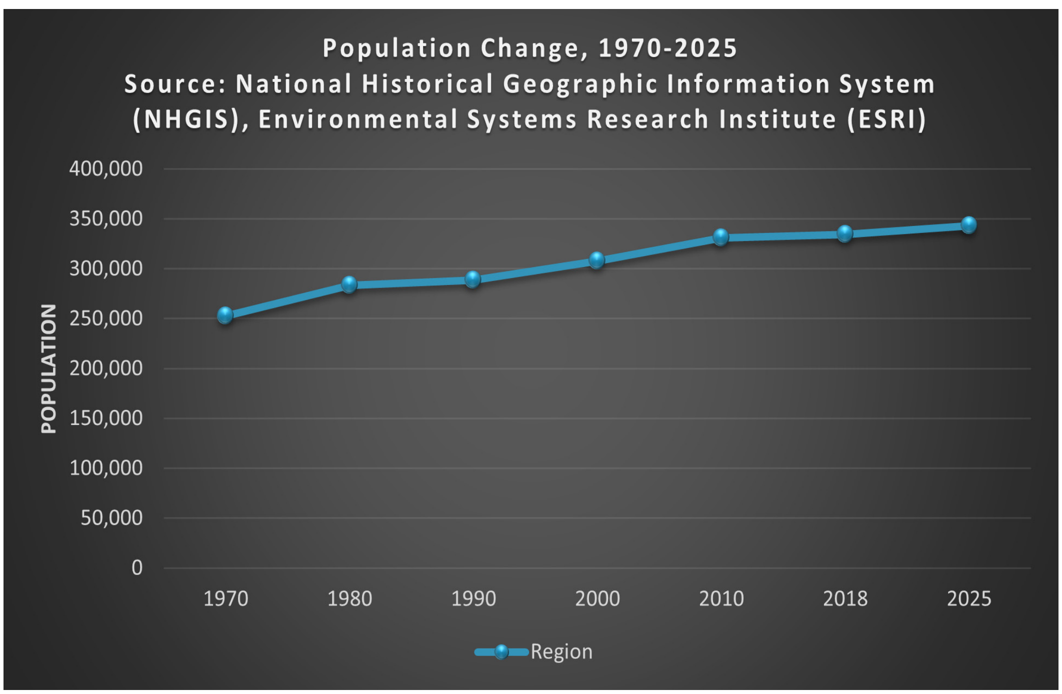
This section of the study explores key data measures such as changes in population and population by age, changes in household composition, shifts in education levels, changes in household income, employment patterns, and changes to the industrial economy. These data points, and more, are used to evaluate the needs of today's residents and those who may choose to locate here in the future. The heart of this analysis is grounded in empirical data but is supplemented by knowledge gained from interviews with stakeholders described in more detail throughout the study.

POPULATION

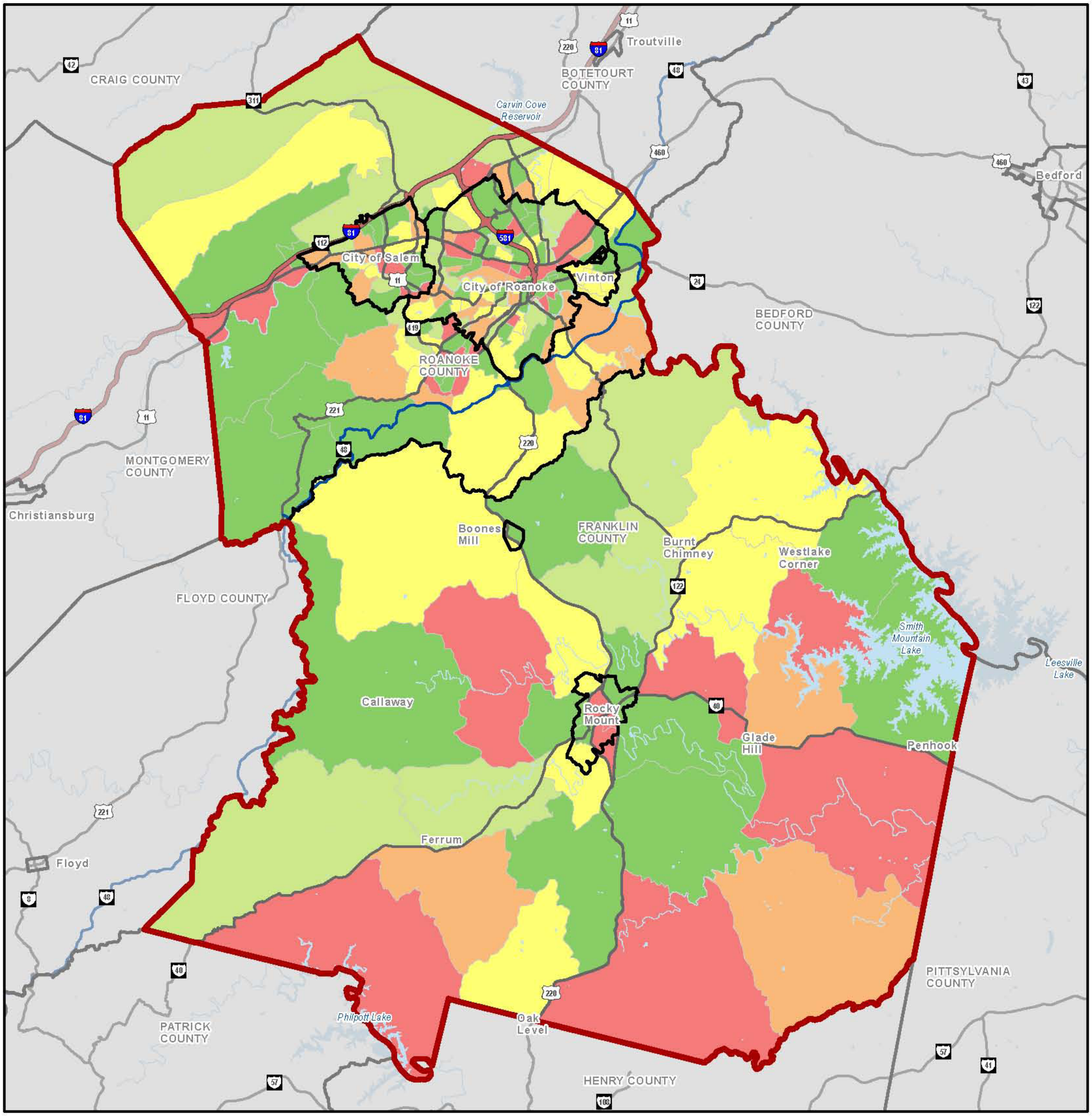
Between 1970 and 2010, the population of the Region grew by 31%. The Region is made up of localities which experience differing rates of growth during this period. Urban places such as the cities of Salem and Roanoke saw slower population growth than counties such as Roanoke and Franklin. The population growth seen in the Region has coincided with national trends like suburbanization, while also being influenced by new economic opportunities in areas such as the Manufacturing, Healthcare, and Education. To accommodate this growth in population, new housing units were built across the region mostly in the form of single family and multifamily housing.

Over the last decade (2010-2018), the Region's population increased by over 3,324 residents which was one of the slowest ten-year periods since 1970. Looking forward, the population of the Region is projected to increase by 3% between 2018 and 2025, or about 8,779 residents.

Figure 1 - Population Change



Map 1: Population Change Map



Road Type

- Interstate
- Primary
- Blue Ridge Parkway
- Roanoke Valley Study Region
- Administrative Boundaries
- Water Bodies

Population Change 2013 - 2018

- -20% or more
- -10% to -20%
- 0% to -10%
- 0% to +10%
- +10% or more

0 2.5 5 10 Miles

N

Sources: Roanoke Valley-Alleghany Regional Commission, City of Roanoke, City of Salem, Roanoke County, Franklin County, Virginia Geographic Information Network, Dept. of Conservation and Recreation, Virginia Economic Development Partnership, US Census American Community Survey 5-year estimates

POPULATION BY AGE

Between 1970 and 2010, the population of the Region grew by 31%. The Region is made up of localities which experience differing rates of growth during this period. Urban places such as the cities of Salem and Roanoke saw slower population growth than counties such as Roanoke and Franklin. The population growth seen in the Region has coincided with national trends like suburbanization, while also being influenced by new economic opportunities in areas such as the Manufacturing, Healthcare, and Education. To accommodate this growth in population, new housing units were built across the region mostly in the form of single family and multifamily housing.

Over the last decade (2010-2018), the Region's population increased by over 3,324 residents which was one of the slowest ten-year periods since 1970. Looking forward, the population of the Region is projected to increase by 3% between 2018 and 2025, or about 8,779 residents.

Population projections indicate seniors (65 years and older) are expected to continue to lead population growth by age cohort through 2025. The growth in the senior population will have an impact on the housing supply as many seniors may like to age in place so long as adequate housing supply is available which meets their needs. If not, it could result in a lack of housing turnover and tighten the available for-sale and rental supply. Additionally, the 35 to 44 age group is expected to grow by 5%. This has the potential to increase demand for ownership units, as this group tends to be more established in the housing market, have higher earnings than cohorts before them, and are more likely to head a larger household.

Figure 2 - Change in Population

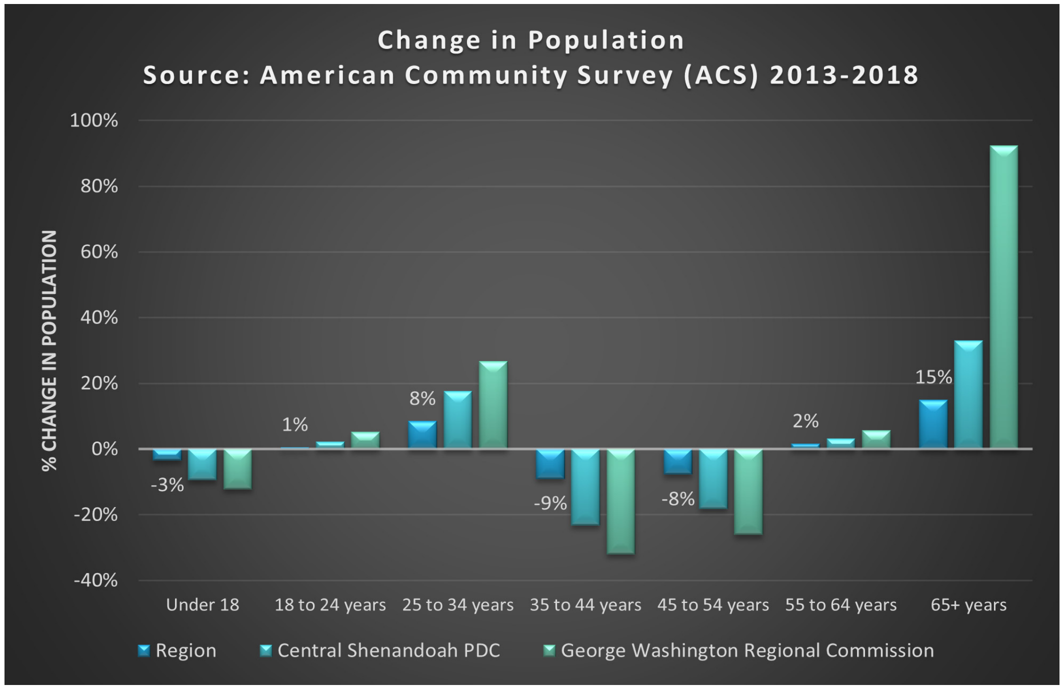
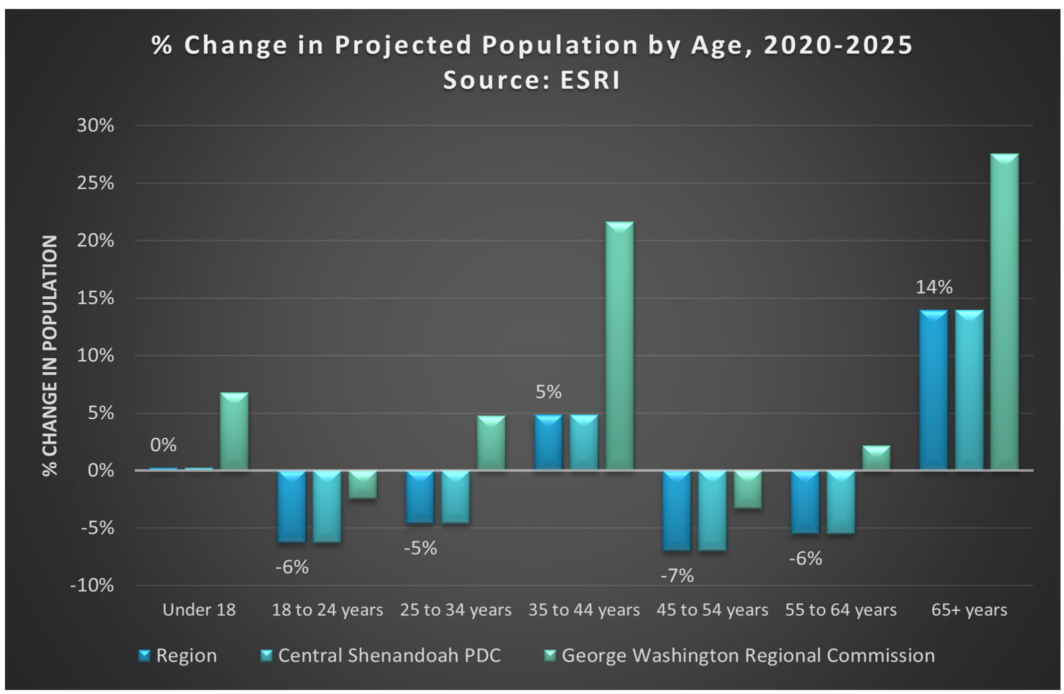


Figure 3 - Projected Change in Population

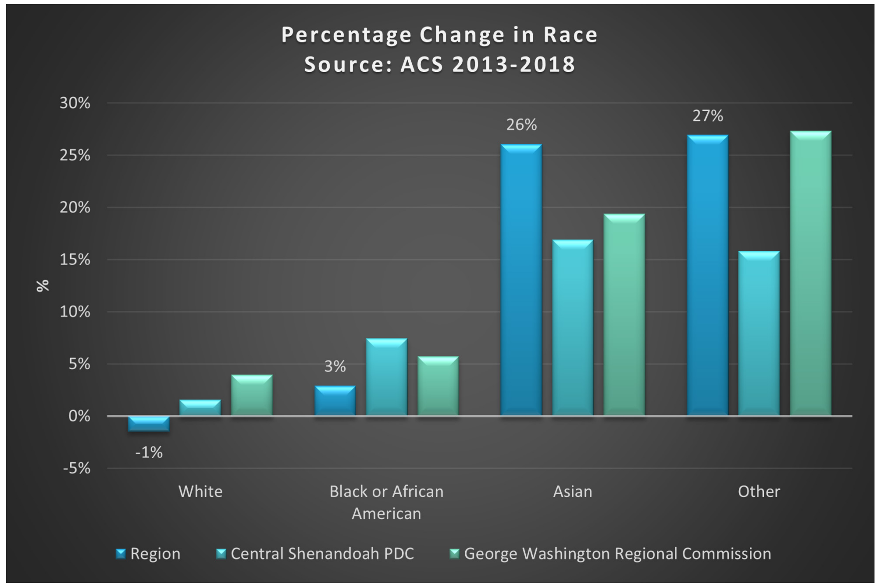


RACE AND ETHNICITY

The Region has a diverse population when compared to the other areas such as the CSPDC and GWRC. In 2018, 81% of the Region's residents identified as White while 13% identified as Black or African American. Asian residents only comprise 2% of the Region's population. Between 2013 and 2018, the Region's population continued to expand its diversity with White residents decreasing 1% and nearly all other races increasing between 3% and 27%. The increase in the Asian population was particularly high growing by 26%, or 1,778 residents.

The Region's Hispanic/Latino population rose by 16%, from 10,433 residents in 2013 to 12,121 in 2018. This change was faster than the both the CSPDC and GWRC, which saw declines of 20% or greater over the same period.

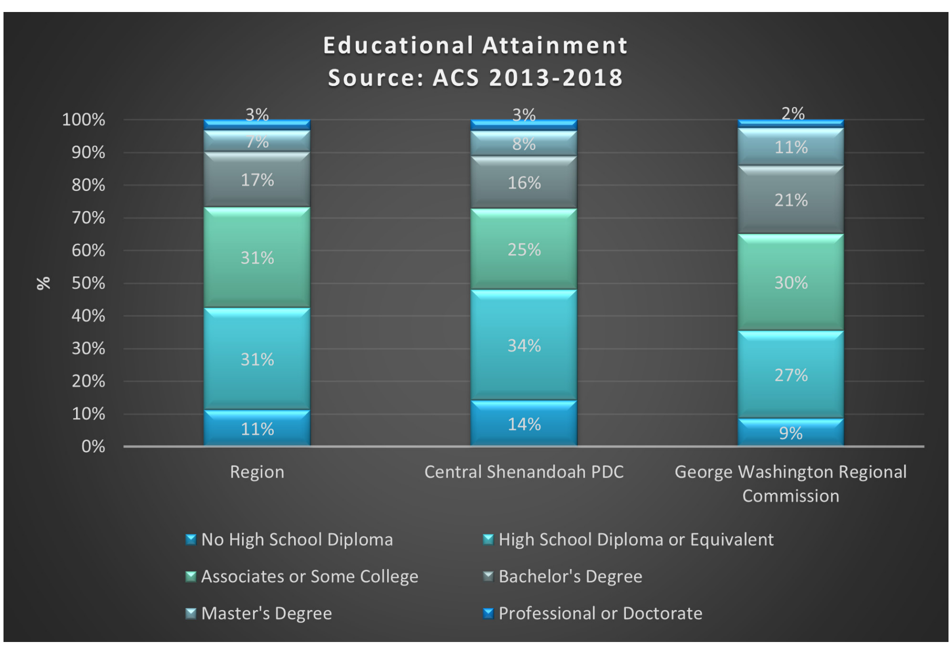
Figure 4 - Change in Race



EDUCATION

In the Region, 42% of the population has a high school diploma or less, which compares favorably to the CSPDC where about 48% of the population has a high school education or less. The Region lags the GWRC in higher educational attainment with 35% of the population of the GWRC having a bachelor's degree or greater, while only 25% of the population in the Region have such qualifications. Educational attainment is often associated with higher earnings which can translate to a greater ability to pay for housing.

Figure 5 - Educational Attainment



As jobs in the Region continue to change over time, the skill sets needed for new employment opportunities may require higher levels of education. This correlates with the Region's 22% increase in residents with professional degrees and doctorates. At the same time there has been an increase in the number of residents who have obtained a high school diploma and a decrease in residents without a diploma.

DISABLED POPULATION

Federal laws define a person with a disability as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such an impairment." The Census classifies disabilities in the following categories: those having a hearing or vision impairment, ambulatory limitation, cognitive limitation, and self-care or independent living situation.

In the Region, 45,926 (14%) residents identified as having one or more of the Census defined disabilities. The largest concentration of disabled individuals can be found in the 35 to 64 age group which has 17,612 disabled individuals and accounts for 38% of all individuals with a disability. Figure 7 presents data on the disabled population by age.

Not surprisingly, the senior population in the Region (over 65) has the highest number of disabled residents with 19,953 residents having at least one disability. Of the senior population, 25% of individuals 75 years or older have a disability. The senior population is of special concern as they tend to live on fixed incomes and have higher healthcare costs which may limit the amount of money they could spend on housing. Disability, in particular mental health disabilities, can make it difficult to earn enough to afford adequate housing. While those with disabilities can qualify for Supplemental Security Insurance (SSI) and Social Security Disability Insurance (SSDI), these programs alone may not prevent residents from experiencing housing instability.

Figure 6 - Change in Educational Attainment

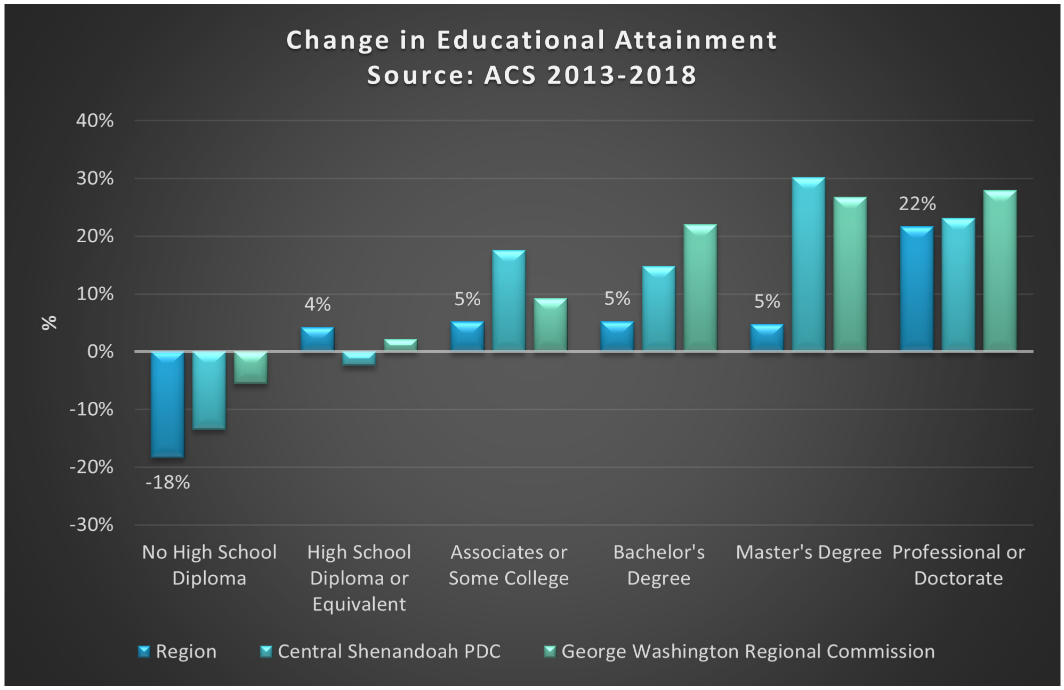
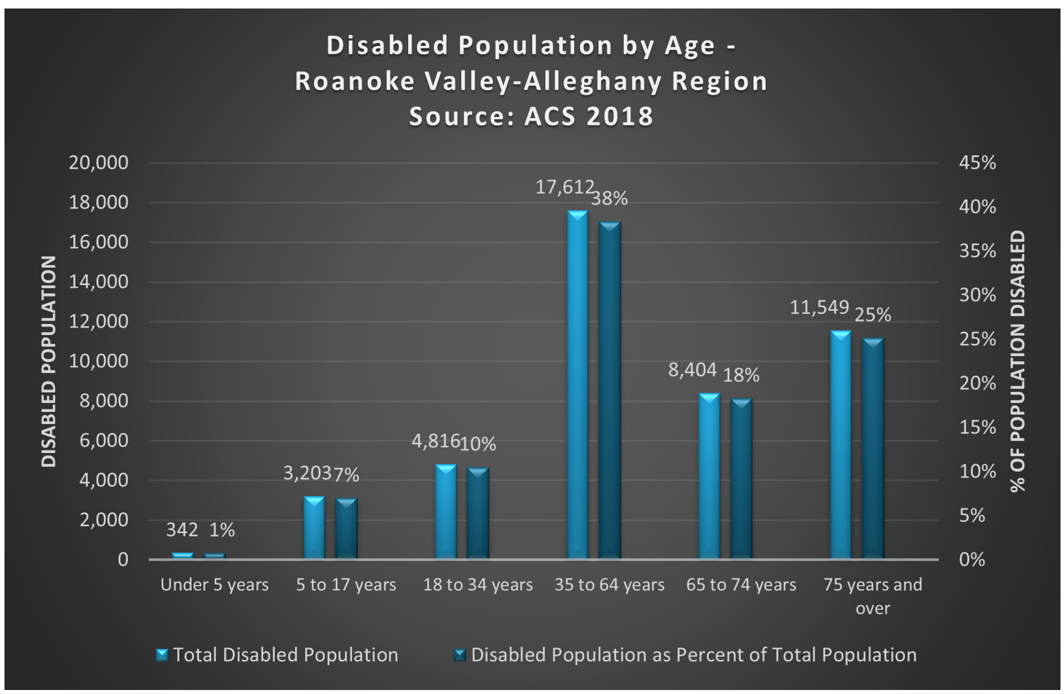


Figure 7 - Disabled Population by Age



The need for home accessibility and other services for people with disabilities in the Region is critical given the large number of seniors and the fact that this age cohort is growing. Improved survival rates and increased longevity among persons with disabilities combined with an aging population and the inaccessibility of older homes are indicators of a growing need to locate services and housing within proximity to one another. Recognizing the housing and service needs these populations require is critically important. Disabled residents often rely on long-term care and wrap-around services. There may also be an unmet need for long-term care facilities to assist residents with disabilities.

HOMELESS POPULATION

To understand the existing homeless population across the Region, data was obtained from the Department of Housing and Urban Development (HUD) which showed the number of homeless individuals and families, as well as the number of beds available in the jurisdiction. HUD data is a compilation of information provided by local Continuums of Care's (CoC) which are typically non-profit or governmental entities working on homelessness. The Blue Ridge Continuum of Care is a regional group working to end homelessness and includes the Blue Ridge Interagency Council on Homelessness (BRICH) which is the regional governing body of the CoC. The BRICH is comprised of non-profit and governmental entities serving the counties of Alleghany, Botetourt, Craig, and Roanoke, and the cities of Covington, Roanoke, and Salem.

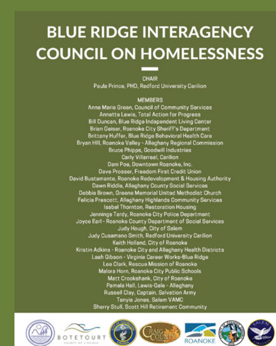
The HUD data presents, in aggregate, information from Roanoke County and the cities of Roanoke and Salem which are covered by the BRICH CoC. Franklin County falls within a separate CoC which is referred to as Balance of State. This CoC covers all jurisdictions across Virginia which are smaller and often more rural locations that do not have a specific CoC in place. Therefore the Commonwealth includes those locations under an umbrella CoC called Balance of State.

Based on Point-in-Time (PIT) data there were 1,080 homeless individuals in the area which encompasses Roanoke County, the cities of Salem and Roanoke, as well as the balance of the state. There were 633 persons in households with only adults, which accounts for 59% of the homeless population. While households with children accounted for 41% of the homeless population, translating into a total of 447 persons. About 82% of the homeless population is sheltered, while only 18% remain unsheltered. Table 1 presents data on the homeless population.

Table 1 - Homelessness Population in the Region and Balance of State

Homeless Categories	Sheltered: Emergency Shelter	Sheltered: Transitional Housing	Unsheltered	Total
Persons in households without children	**271**	**18**	**100**	**389**
Persons Age 18 to 24	27	2	6	35
Persons Over Age 24	244	16	94	354
Persons in households with at least one adult and one child	**260**	**88**	**24**	**372**
Children Under Age 18	171	60	15	246
Persons Age 18 to 24	7	3	1	11
Persons Over Age 24	82	25	8	115
Persons in households with only children	**0**	**0**	**0**	**0**
Total Homeless Persons	**531**	**106**	**124**	**761**

Source: HUD Point in Time Data, VA-521 Virginia Balance of State Continuum of Care (CoC), 2019



Based on data provided by CoC's covering the region, there were a total of 1,927 beds available for homeless individuals, with 63% of beds found in emergency shelters and 37% of the beds located in permanent housing facilities. Based on the number of homeless individuals in the Region and Balance of State, the existing infrastructure to house the homeless is operating at slightly more than half capacity.

Table 2 - Housing Inventory in Region & Balance of State

Unit Types	Family Units	Family Beds	Adult-Only Beds	Child-Only Beds	Total Year-Round Beds	Seasonal	Overflow / Voucher
Emergency, Haven and Transitional Housing	**204**	**678**	**534**	**0**	**1,212**	**100**	**27**
Emergency Shelter	154	512	523	0	1,035	100	27
Transitional Housing	50	166	11	0	177	0	0
Permanent Housing	**114**	**297**	**322**	**0**	**715**	**0**	**0**
Permanent Supportive Housing	15	48	133	0	181	0	0
Rapid Re-Housing	94	281	125	0	406	0	0
Other Permanent Housing	0	0	9	0	9	0	0
Total	**318**	**975**	**856**	**0**	**1,927**	**100**	**27**
Source: HUD Housing Inventory County Study, VA-502 City of Roanoke & County, Salem Continuum of Care (CoC), Balance of State 2019							

The Region has been effective in preventing a rise in the number of unsheltered homeless. Data from the CoCs showed a very low occurrence of unsheltered homeless with about 18% of the recorded homeless population going unsheltered, and of those unsheltered homeless, most refuse to engage in accessing resources. In many cases, mental health barriers prevent individuals from seeking and accepting housing assistance. Across the region there are non-profits that target their resources to help alleviate challenges faced by the homeless population. Services are available which help transition the homeless population to stable, permanent housing.

Table 3 - Homelessness by Race in the Region and Balance of State

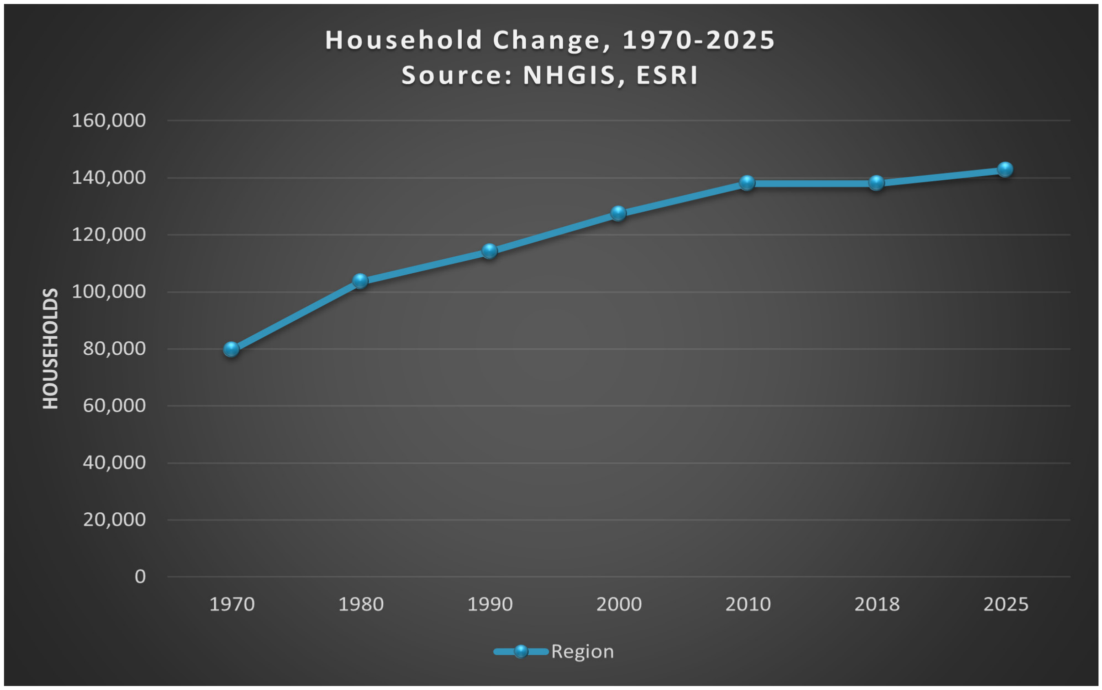
	Sheltered			
Race	Emergency Shelter	Transitional Housing	Unsheltered	Totals
Black or African-American	313	50	52	**415**
White	460	43	76	**579**
Asian	7	0	0	**7**
American Indian or Alaska Native	7	0	2	**9**
Native Hawaiian or Other Pacific Islander	1	0	0	**1**
Multiple Races	47	13	9	**69**
Total	835	106	139	**1,080**
Source: HUD Point in Time Data, VA-502 City of Roanoke & County, Salem Continuum of Care (CoC), Balance of State, 2019				

The PIT data shows that 38% (415 individuals) of all sheltered and unsheltered homeless individuals were Black/African American, while 54% (579 individuals) of the homeless population were White. The total population in the Region identifying as Black/African American is 13%, yet these residents comprise 38% of all homeless individuals indicating an overrepresentation in the homeless population.

HOUSEHOLDS

The Census Bureau defines a “household” as one or more people living in a housing unit and includes a variety of living arrangements. From a historical perspective, the Region experienced steady, continued household growth between 1970 and 2010 which closely tracks with population growth over that same period. Between 1970 and 2010, the number of households in the Region increased by 73%, with the biggest increase (23,929) between 1970 and 1980.

Figure 8 - Household Change



Interestingly, between 2010 and 2018 the population of the Region grew by 3,241 residents yet the number of total households decreased by 35, or effectively no growth. Typically, when population grows there is a commensurate growth in households particularly with the national trends of smaller household sizes driven by the growth in younger and older householders. In the Region, these two measures are heading in opposite directions driven by growth in larger households (4+ persons) and a reduction in one- and two-person households.

In 2018, the Region had 137,942 households. Future projections show the Region could add an additional 4,701 households (3%) by 2025. These same projections show household growth in both the CSPDC and GWRC regions increasing by 5% and 17%, respectively, over the next five years.

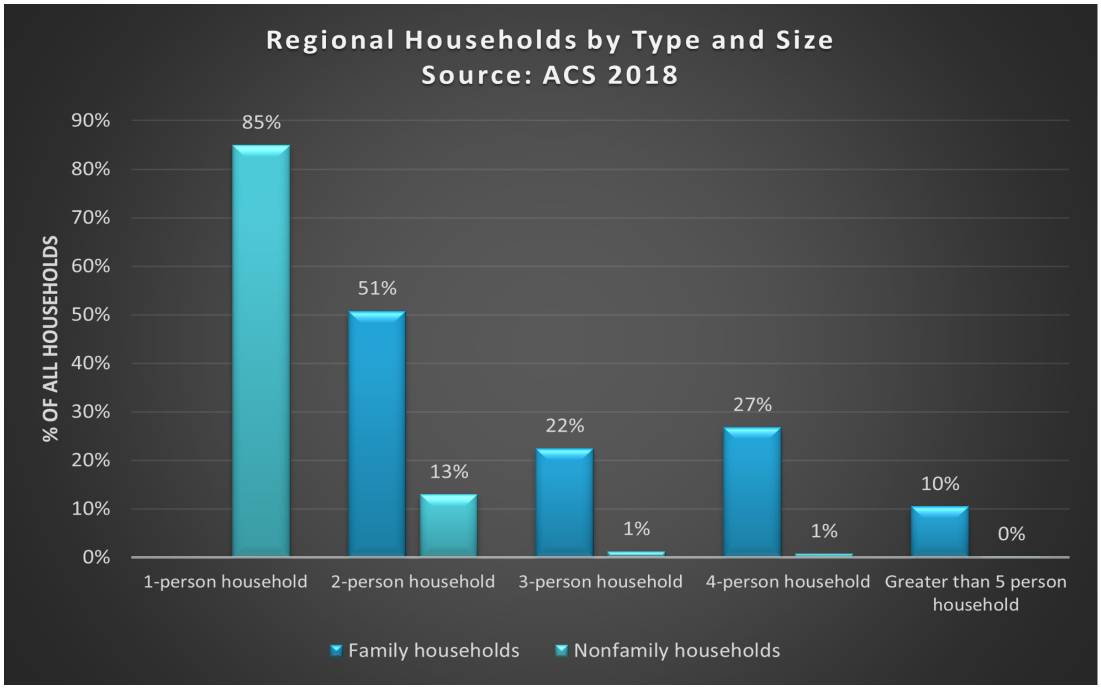
Table 4 - Projected Total Households

Community	2018 Estimates	2025 Projections	Change	% Change
Region	137,942	142,643	4,701	3%
Central Shenandoah PDC	113,299	118,577	5,278	5%
George Washington Regional Commission	120,601	141,335	20,734	17%
Source: ESRI, 2020				

HOUSEHOLD SIZE

Household size is an important consideration as it provides insight and an understanding of what types of housing units are needed to accommodate today's residents and those who may choose to locate here in the future. An example of this is a larger five-person household would require more bedrooms than a two-person household. Traditionally in the Region, owner-occupied single-family homes offer larger living spaces with more bedrooms and bathrooms, enough to accommodate the larger households. Structures with 10 or more units, which account for about 10% of all housing units in the Region, tend to have one- or two bedrooms and are priced similarly, in some instances, to a mortgage payment for a single-family home.

Figure 9 - Households by Type and Size



According to the Census, households can be defined as either family or non-family. Family households are comprised of two or more related individuals where non-family households are comprised of unrelated people living together (such as housemates), and single individuals. In the Region, most family households (73%) are comprised of two or three members. Most non-family households are single individuals which account for 85% of non-family households.

Between 2013 and 2018, family households decreased by 1% and non-family households increased by 2%. While 68% of all households in the Region are one- and two-person households, some unique changes in household size have occurred over the past five years. Regarding family households, nearly all categories experienced a decline, the highest being four-person family households which declined by 6%. This indicates a shift toward smaller family households. For non-family households, there were gains across all categories, particularly those in four-person households which increased by 38%. This can be attributed to more housemate type situations and the growth in unmarried partnerships. The growth trends show the potential need for slightly larger non-family sized units going forward. The growth trends in the older demographics may also point to a continued need for smaller units with universal design components in a managed property or as part of an homeowners association (HOA).

SECTION 5

Economic Assessment

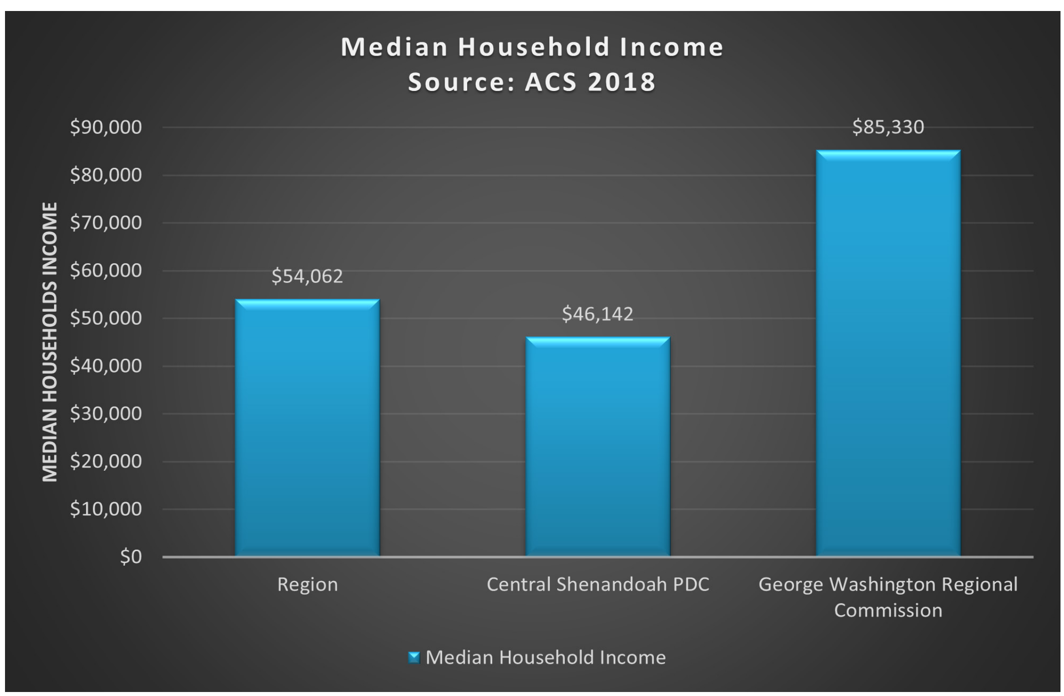
SOCIOECONOMICS

INCOMES

Household income directly influences the ability of residents to secure housing that is affordable and available to them. Household income can influence housing prices if an influx of higher income households enters the market over time, or conversely leave the market over time. As of 2018, the median household income in the Region was $54,062, which was about $31,000 less than the GWRC's median income. This income differential is significant from a housing affordability perspective, as the Region's median income offers a purchasing power for a renter household of $868 per month less than a household in the GWRC. It is important that over time incomes are compared to housing costs to ensure increasing price points do not overburden low- and middle-income households.

Economic issues such as changes in income, employment, commuting patterns, and the overall economy are explored in this section of the study. Much of the analysis is grounded in data which is supplemented by knowledge gained from interviews with stakeholders described in more detail throughout this section of the study. The economic baseline analysis provides the context and history of the Region to set the stage for the housing market analysis which follows.

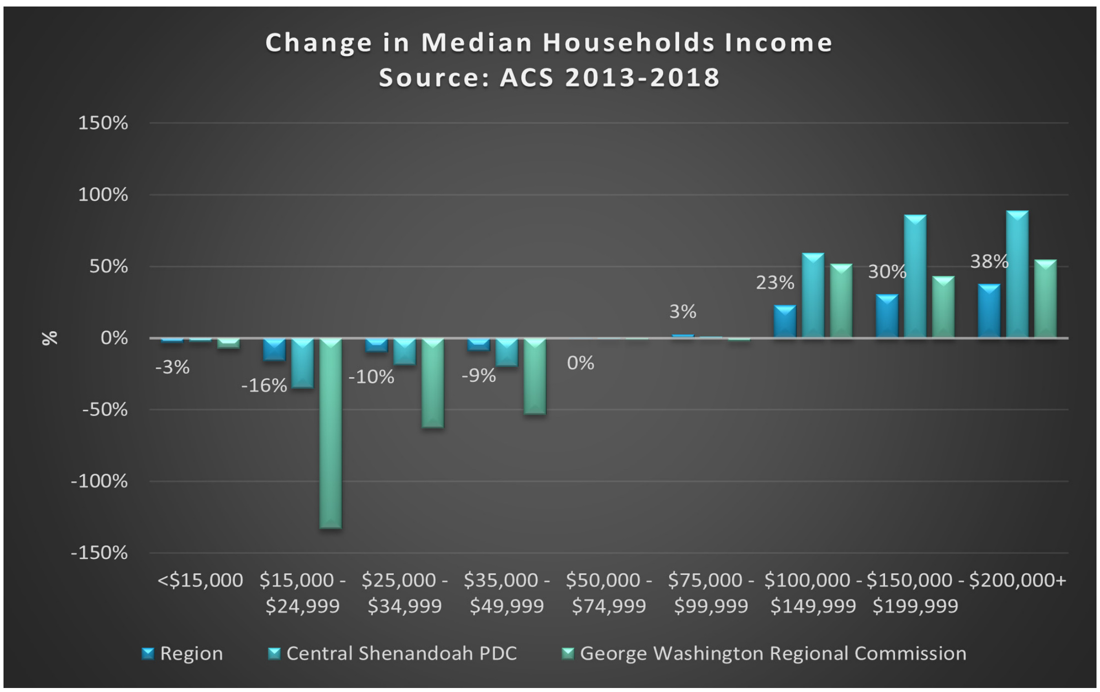
Figure 10 - Median Household Income



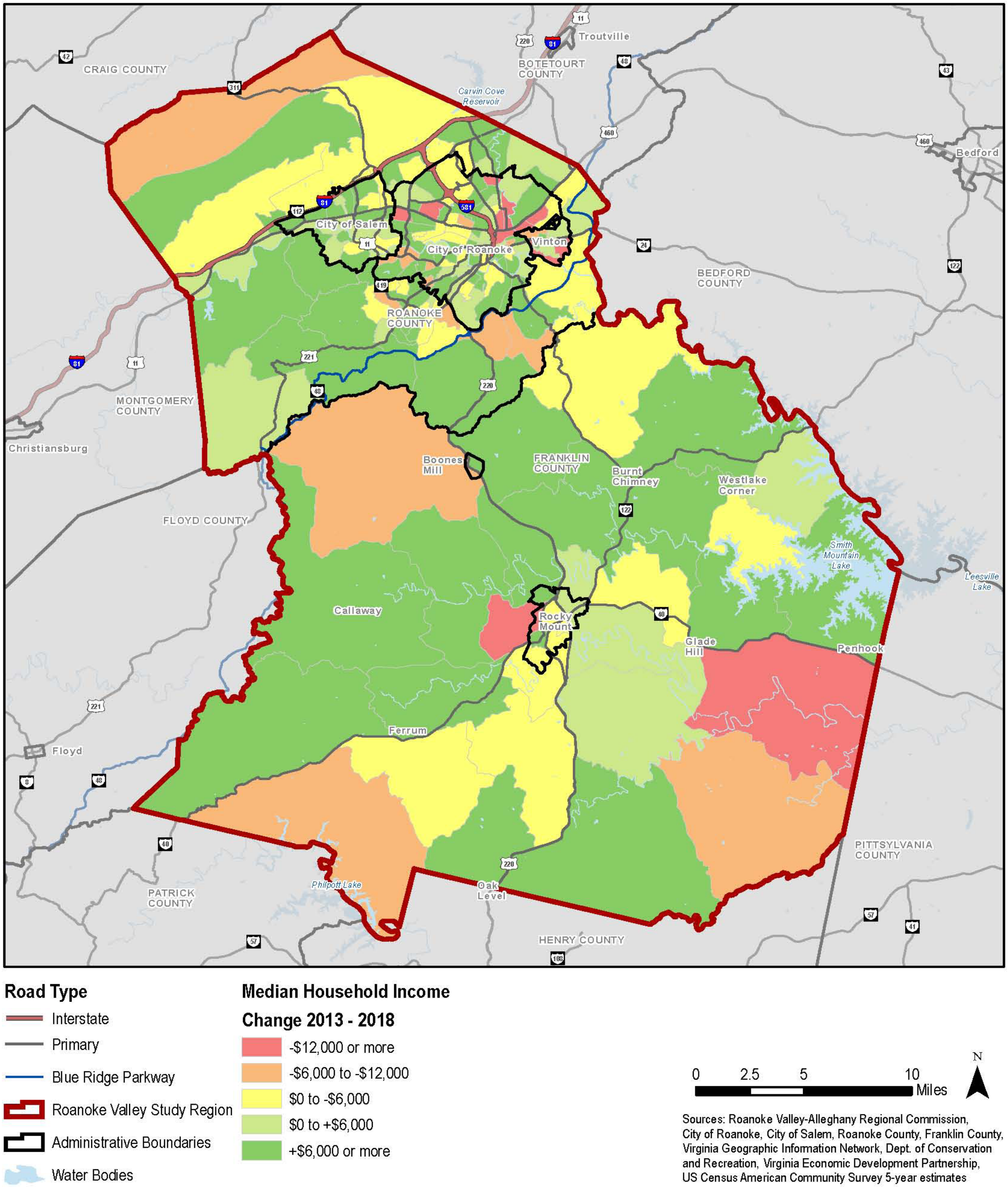
Cost burden, which is a circumstance where a household pays more than 30% of their income toward housing costs is a reality for lower-income households across the Region. Higher housing costs crowd out disposable income for other necessities such as food, healthcare, and transportation. About 32% of the Region's households earn less than $35,000 a year, compared to 32% in the CSPDC, and 15% in the GWRC. The higher percentage of lower-income households in Region requires proactive measures to ensure safe and affordable housing for households at all income levels.

Looking at the distribution of households by income over the last five years shows the Region experienced a loss of households with incomes below $50,000. Of households making less than $50,000, there was a 16% decrease within the cohort earning between $15,000 and $25,000 per year. While the Region is losing households at the lower end of the income spectrum, it is gaining households earning more than $75,000 per year. The increase of higher income households can be explained in part by growth in higher paying industry sectors like Healthcare and Finance and Insurance. Employees in these sectors typically have higher levels of education and specific skills tied to the industry sector resulting in higher wages. Manufacturing is also shifting toward higher earning jobs as manufacturing processes become more advanced the sector requires employees with advanced degrees in engineering, management, and logistics to keep up with changes in manufacturing processes.

Figure 11 - Change in Median Household Incomes



Map 2 - Household Income Change Map



Sources: Roanoke Valley-Alleghany Regional Commission, City of Roanoke, City of Salem, Roanoke County, Franklin County, Virginia Geographic Information Network, Dept. of Conservation and Recreation, Virginia Economic Development Partnership, US Census American Community Survey 5-year estimates

Modest growth of real incomes is a challenge both in the Region and across the United States. The Region saw median household income grow by 16% between 2013 and 2018. While impressive, the growth in income is not outpacing the cost of housing. As housing costs continue to rise, incomes must as well, or households will be forced to spend more on housing leaving less for other expenses.

Table 5 - Growth in Median Household Income

Community	Growth Rate
Region	16%
Central Shenandoah PDC	-1%
George Washington Regional Commission	9%
Source: ACS 2008- 2013, 2014-2018, B19013, "Median Household Income in the Past 12 Months", and RKG Associates, Inc.	

Looking forward, between 2020 and 2025 incomes in the Region are projected to grow by 5%. This future growth may be attributed to the investment employers are making in the region. As more employers paying higher wages enter the area and establish operations, opportunities for residents of the region to secure higher paying jobs will increase as well.

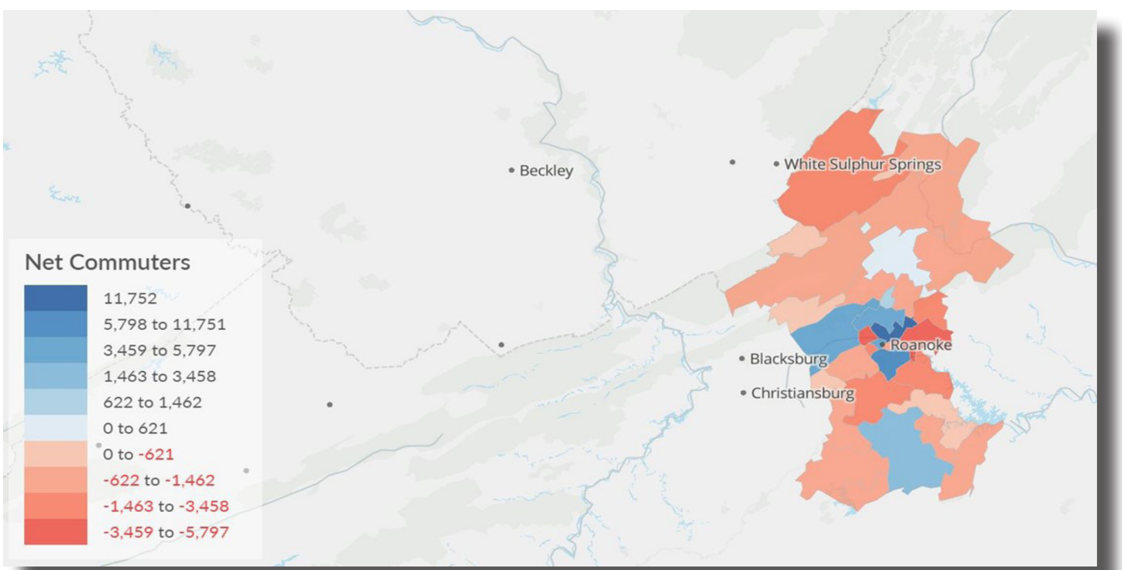
Table 6 - Projected Median Household Incomes

Community	2020 Estimates	2025 Projections	Change	% Change
Region	$53,448	$56,124	$2,676	5%
Central Shenandoah PDC	$52,580	$54,482	$1,902	4%
George Washington Regional Commission	$92,566	$97,765	$5,199	6%
Source: ESRI, 2020				

WORKERS

In the Region, there are a total of 174,495 jobs which is inclusive of both private and government employment. Of that total, 14,232 people come from outside the Region to work, while 160,261 live and work within the Region. The large number of people entering the Region for employment is due to the City of Roanoke serving as the major employment hub with many large employers importing workers from around the Region.

Figure 12 - Worker Inflow and Outflow



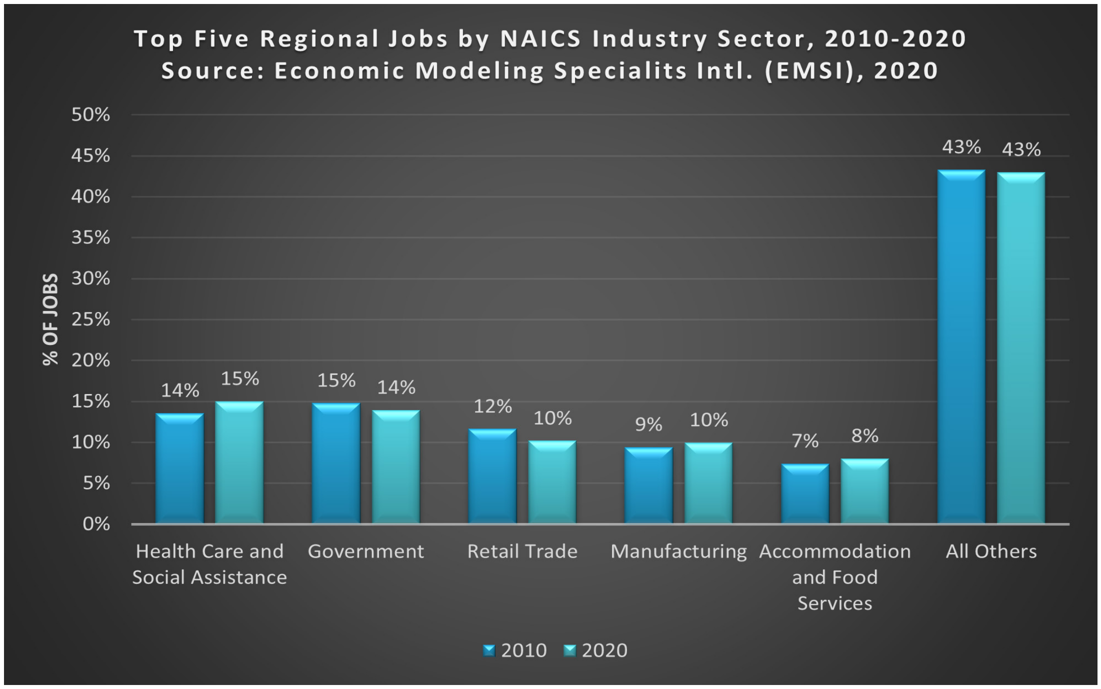
Understanding how many employees are in the Region what types of employment opportunities exist can help explain some of the activity within the housing market. One of the key linkages between employment and housing is how many individuals are employed in an area and where they commute from. This is important because it reflects whether the Region can attract and retain workers locally, and what role housing may play in workers being able to live and work in the Region. If workers are also residents, then their disposable income gets circulated locally, otherwise the Region may not capture that direct impact on the local economy. In contrast, when workers commute to an employment destination, much of their personal spending does not occur in the community where they work, but rather where they live.

INDUSTRIES

In the Region, about 57% of all jobs are clustered in five industry sectors. As a percentage of total employment, Healthcare and Social Assistance is the largest industry sector with 15% of all jobs. The second largest employment sector is Government, which accounts for 14% of all jobs. The Other category is made up of the remaining North American Industry Classification System (NAICS) sectors not in the top five job producing industries. This category accounts for 43% of the total employment in the Region. Figure 13 presents the top five employment sectors across the Region.

Most notable is the increase in Healthcare employment over the last ten years. Healthcare jobs increased 1% over the last ten years which correlates with national trends and the aging of the Baby Boom generation. Hospitals, outpatient clinics, assisted living, in-home care have all been staffing up to care for our seniors. In the Region, this is no different and is anticipated to continue as the population grows older. All other industry sectors generally remained same if not dropped by a percentage point corresponding with the slight increase in overall employment over the ten year period from 169,079 in 2010 to 174,495 in 2020.

Figure 13 - Top Five Jobs by NAICS Industry Sector



MAJOR EMPLOYERS

As indicated above, the Region has a diversified employment base which helps bolster the economy and makes the Region an attractive place for new residents and employers alike. As the major employment center in the region, City of Roanoke has attracted large medical providers like Carilion Clinic that has several large facilities including the Children's Hospital, the Community Hospital, and the Carilion Roanoke Memorial Hospital. Carilion also has several specialty and outpatient offices in Roanoke including oncology, pediatric services like cardiology and endocrinology, psychology, and rapid care facilities.

In addition to healthcare facilities, the Region has also attracted professional offices and corporate headquarters for several large corporations including Allstate Insurance, Kroger, and Wells Fargo Bank. These corporations employ thousands of workers who both live in the Region as well as those who commute in daily for employment. Below is a listing of the top five largest employers in the region:

Carilion Clinic	Wells Fargo	Kroger	Advance Auto Parts	Allstate
10,000+ employees	1,000 - 2,999 employees	1,000 - 2,999 employees	1,000 - 2,999 employees	500 - 999 employees

Manufacturing firms contribute significantly to the Region's employment base. In recent years, specialized manufacturing companies have moved into the area, and rely on the highly trained local workforce. Below is a listing of some of the largest local private manufacturing employers in the area:

1,600 employees
Ply Gem Windows

500 - 999 employees
Elbit Systems

500 - 999 employees
General Electric

300 - 499 employees
Integer

300 - 499 employees
Carter Machinery

300 employees
ProAmpac

250-499 employees
Marvin Windows and Doors

250 - 499 employees
P1 Technologies

250 - 499 employees
TMEIC Corporation

125 employees
NewBold Corporation

100 - 299 employees
Cavco Industries

100 - 299 employees
Ronile Incorporated

The Region is also a center for higher education with several colleges and universities. The two main colleges in the area are Roanoke College and Ferrum College. Roanoke College is an independent, co-educational, 4-year liberal arts college. The college has nearly 2,000 full-time students and offers about 100 areas of study. The campus is located adjacent to downtown Salem and employs between 300 and 499 workers. Ferrum College is a four-year, private, co-educational, liberal arts college that offers bachelor's degree programs ranging from business and environmental science to teacher education and criminal justice. The campus is located about 35 miles south of the City of Roanoke and employs 250 persons.

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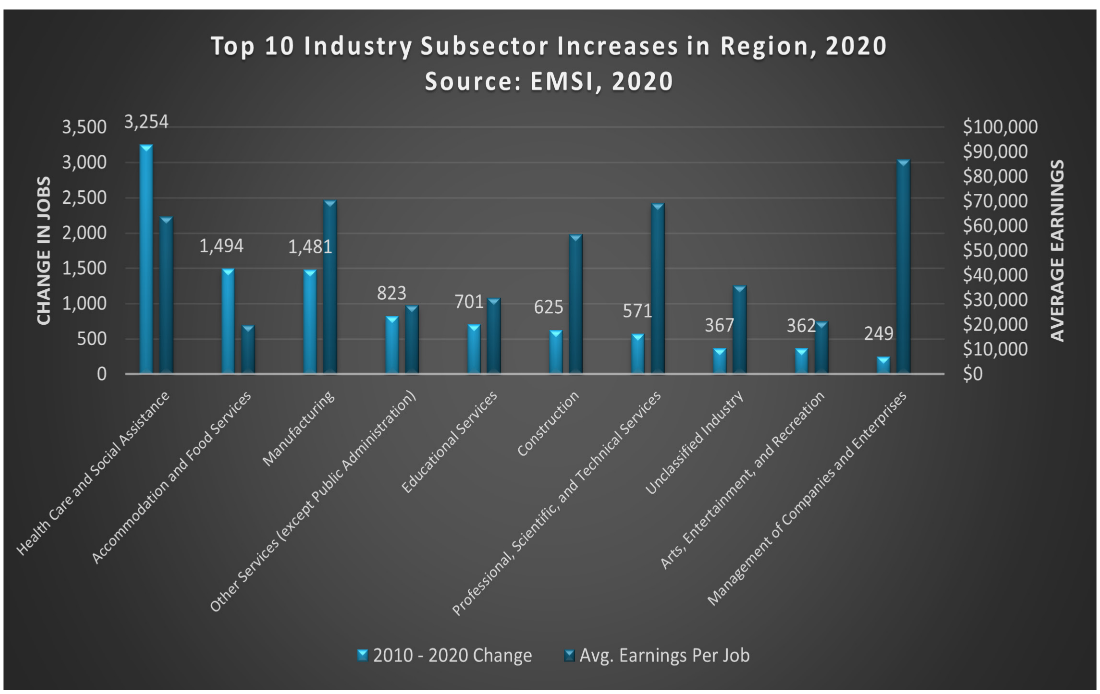
The largest postsecondary educational institution in the area is Hollins University, a liberal arts university. The campus is in the Hollins District of Roanoke County, which is next to Roanoke-Blacksburg Regional Airport, and employs between 250 and 499 workers.

The housing market in the Region is influenced by these large employers because they provide jobs and potential career paths which enable households to gain economic stability and generate disposable income. With secure jobs, residents can engage in the housing market to make purchase and rental decisions based on their needs and wants. For example, households with higher incomes may choose to purchase larger homes, while lower income households may choose to rent single family homes or a unit in a multifamily building.

CHANGES IN INDUSTRY

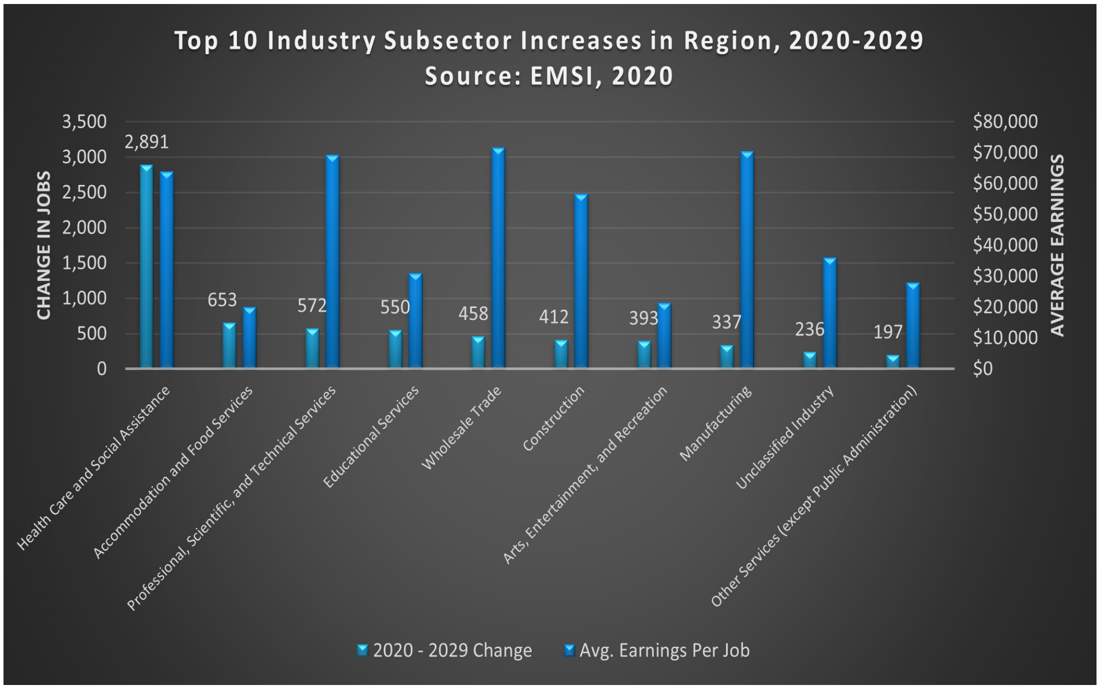
Between 2010 and 2020, employment data for the Region shows that the top 10 employment subsectors have added 9,926 jobs, with an average wage of $48,340. The sector which experienced the largest gain was Healthcare, adding 3,254 jobs over the ten-year period with an average wage of $63,865. One interesting trend to watch in the Region is the continued growth in the highest wage jobs and the lowest wage jobs. Sectors like Healthcare, Manufacturing, Professional Services are all growing but have average wages between $63,865 and $70,473. At the same time, the Region is experiencing growth in sectors like Accommodations and Food Services, and Arts and Entertainment. These sectors have average wages between $19,976 and $21,303 and has direct correlation to what a household could afford for housing.

Figure 14 - Top Ten Industry Subsector Increases 2010-2020



Between 2020 and 2029 the Region is projected to see employment growth in Healthcare and Social Assistance (2,891 jobs), Accommodations and Food (653 jobs), Professional Services (572 jobs), and Educational Services (550 jobs). Jobs in these industry sectors pay varying wages, some higher like in Healthcare and some lower like in Accommodations and Food. Job losses are projected in sectors like Finance and Insurance, and Information which tend to pay higher than average wages.

Figure 15 - Top Ten Industry Projected Subsector Increases 2020-2029



INDUSTRY WAGES AND HOUSING AFFORDABILITY

While the Region experienced employment growth over the last decade, incomes in some industry sectors are not sufficient to cover mortgage or rent payments without placing added financial pressure on the household. Across the Region, the median sales value of a home is around $188,700, while the median gross rent is $857 per month. Based on these metrics, several of the top industries (and growing industries) do pay average wages for which employees could afford these housing prices. It is worth noting though that within certain industry sectors there is vast wage disparity across occupations. For example, within the Healthcare industry you may have physicians earning over $200,000 but janitorial staff earning less than $30,000 a year. There are also industry sectors like Retail Trade or Accommodations and Food Services that do not pay average wages high enough to cover housing costs at today's median rent or sale price.

Table 7 illustrates the affordable home price and affordable rent by industry sector based on the average earnings within each sector. It is important to note these represent average earnings and not the earnings across different occupations within industry sectors.

Table 7- Housing Affordability Based on Top 10 industry Sectors 2020

Industry	Industry Jobs	Average Earnings	Affordable Home Price	Affordable Rent
Health Care and Social Assistance	26,168	$63,865	$237,179	$1,774
Government	24,285	$64,232	$238,542	$1,784
Retail Trade	17,728	$33,188	$123,252	$922
Manufacturing	17,359	$70,473	$261,722	$1,958
Accommodation and Food Services	13,968	$19,976	$74,185	$555
Construction	10,684	$56,630	$210,312	$1,573
Other Services (except Public Administration)	9,490	$27,906	$103,636	$775
Administrative and Support and Waste Management and Remediation Services	8,947	$37,011	$137,449	$1,028
Professional, Scientific, and Technical Services	8,494	$69,306	$257,386	$1,925
Transportation and Warehousing	7,909	$58,157	$215,982	$1,615

Source: EMSI, and RKG Associates, Inc., 2020.
Note: Rent payment accounts for utilities. Home price accounts for mortgage, taxes, and insurance.

SECTION 6

Housing Market Analysis

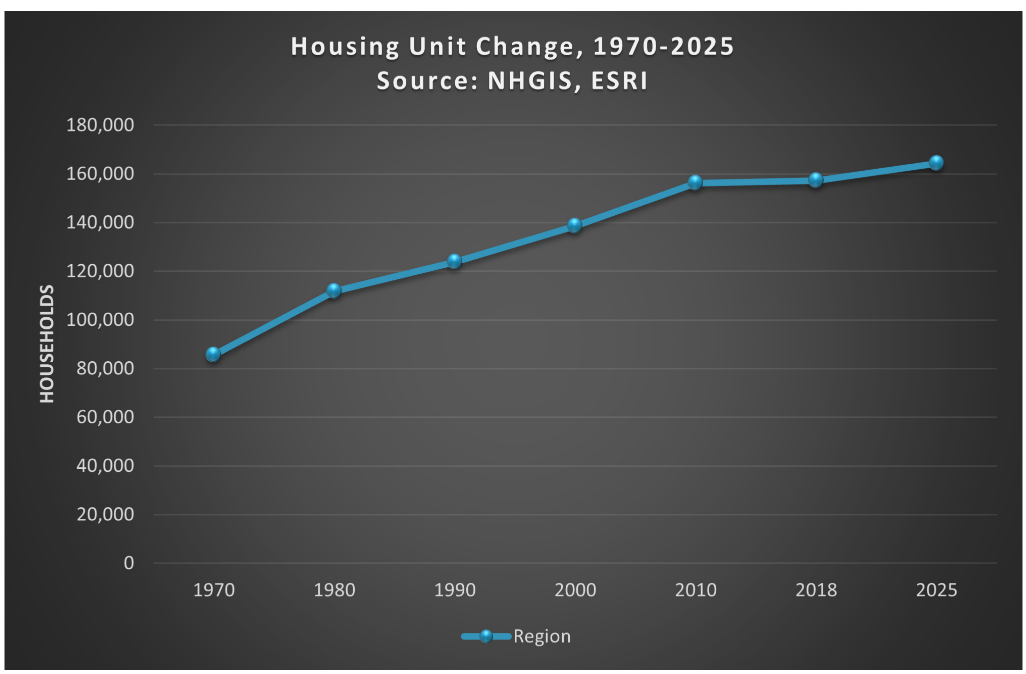
REGIONAL HOUSING MARKET

The housing market analysis section describes the market characteristics associated with both owner-occupied and renter-occupied housing units in the Region. This section contains a description of housing types, price points, and affordability in addition to other topics.

YEAR BUILT AND HOUSING UNIT GROWTH

The Region's housing growth history shows a steady transformation over a few decades. Between 1970 and 2010, the number of housing units in the Region grew by 82%, rising from 85,697 to 156,128. The largest contributors to this growth were Franklin and Roanoke Counties, which saw many housing units built during this period of suburbanization where a higher percentage of households were locating outside the two cities. The steady housing unit growth coincided with both population and household growth.

Figure 16 - Housing Unit Change



The Region did experience a significant period of housing unit production between 1970 and 1980 with 26,072 new housing units being built. Figure 17 shows the year built for housing units highlighting the large number of units constructed during that period. Compared to the CSPDC and GWRC, the Region has an older housing stock with 86% of all units constructed before 1980 compared to only 66% across the GWRC and 80% across the CSPDC.

Figure 17 - Year Built

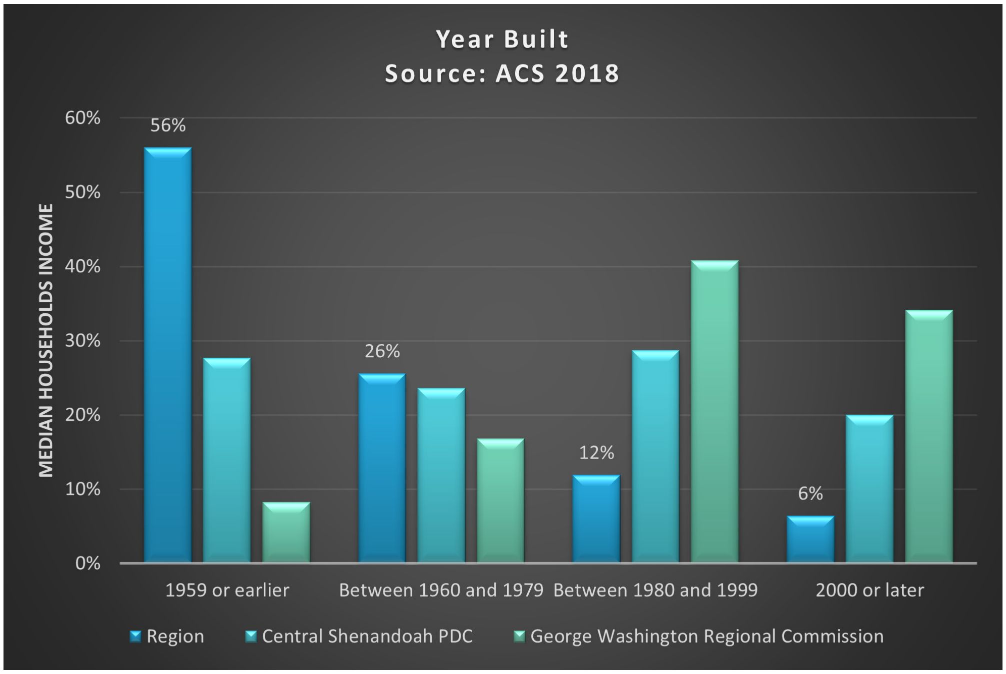


Figure 18 - Building Permits

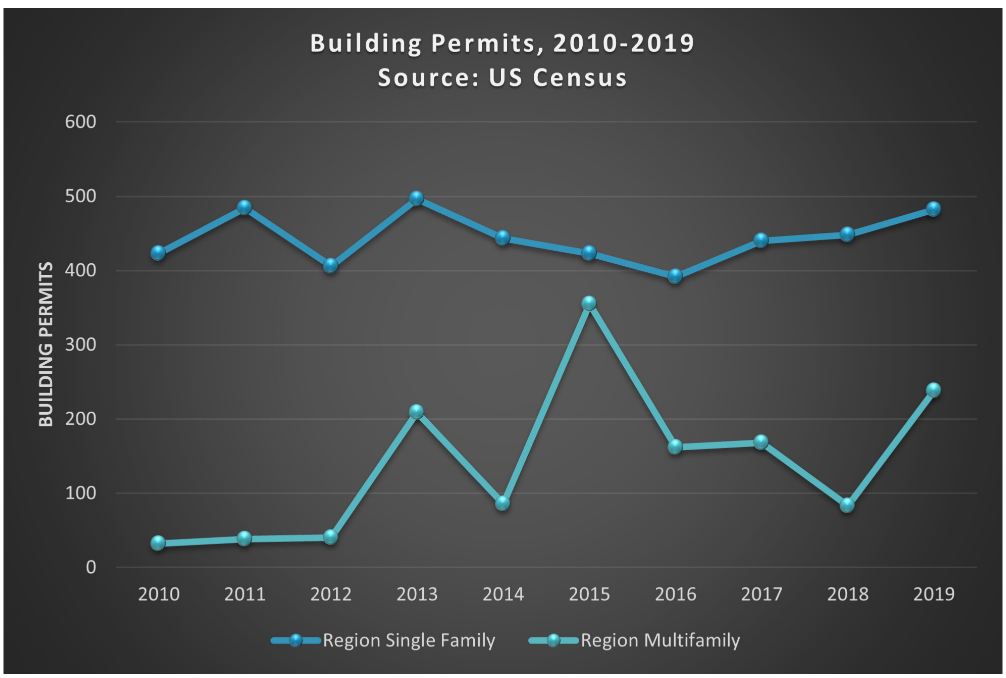


Table 8 - Housing Tenure

	Region	CSPDC	GWRC
Owner-Occupied	63%	59%	69%
Renter-Occupied	26%	29%	25%
Vacant	12%	12%	7%
Source: ACS 2014-2018			

The Region also has a lower percentage (6%) of units constructed after 2000 compared to the CSPDC where 20% of the units were built after 2000. The GWRC has the highest percentage of units built after 2000, with 30% of all units being built within the last 20 years. This relatively new housing stock is a consequence of the fast pace of growth in the GWRC region.

BUILDING PERMIT ACTIVITY

On average, the Region permitted 444 new single-family detached housing units per year since 2010. Over the same period, the Region also issued an average of 141 building permits per year for multifamily units in duplexes, triplexes, quadplexes, and buildings with five or more units. In the Region, the largest number of single-family permits were issued in 2013 when 496 housing units were built, while in 2015 there were 355 multi-family unit permits issued.

The City of Roanoke has accounted for most of the multi-family permits granted in the region (69%) with Roanoke County accounting for another 27%. This is not surprising since the City of Roanoke is the urban center of the Region and has land constraints and a regulatory framework that more readily allows for denser forms of development.

HOUSING TENURE

As of 2018, 69% of the Region's housing stock was owner-occupied while 31% was renter-occupied. The more urban parts of the Region's housing stock are more evenly split between owner and renter while the rural components of the Region skew more toward ownership with localities like Franklin County having 80% owner-occupied units.

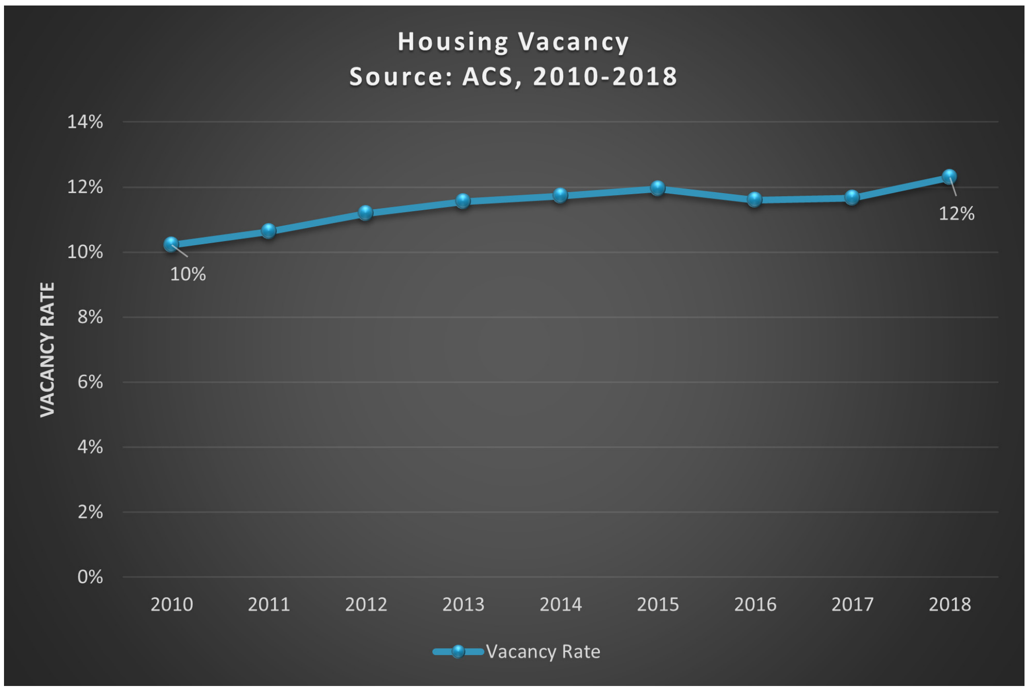
UNITS IN STRUCTURE

In the Region, 74% of residential units are in single family detached structures. The second largest residential typology are multifamily structures with 10 to 19 units which account for 6% of all units. In aggregate, the Region's housing stock has a much more diversified mix than some of the component parts of the Region. There are a range of housing choices from attached single family, to duplexes, to mid-scale multifamily and even larger scale multifamily with structures of 50 or more units. The development pattern combined with a mix of urban and rural locations has allowed the Region to create and maintain a diverse stock of building types and units.

The breakdown of units in structures changes drastically when comparing owner-occupied units to renter-occupied units. Within the Region, 93% of owner-occupied units are single family homes, 5% are mobile homes, and only 2% are in structures containing two or more units. Contrast this with renter-occupied units, where 44% are single family homes, 4% are in mobile homes, and 52% are in structures with two or more units. The housing diversity noted above is predominately in the renter market with units spread across the various typologies like duplexes, triplexes, and mid- to large-scale apartment buildings.

VACANCY

Figure 19 - Overall Housing Vacancy



The Region's overall housing vacancy rate of 12% is a slight increase from 2010 when the rate was 10%. Part of the Region's housing market story can be told through the Census' Vacancy Table. Vacancy is defined by the Census across seven different categories which include:

- Units Actively Listed for Rent
- Units Rented, but Not Yet Occupied
- Units Actively Listed for Sale
- Units Sold, but Not Yet Occupied
- Units for Seasonal/Recreational Use
- Units for Migrant Workers
- Other Vacant

To calculate total vacancy across all categories in the Region, the Census sums each category together and divides by the total number of housing units in the Region. This vacancy rate provides an estimate of all housing units that are not occupied at the time the Census interview takes place regardless of whether the unit is actively being marketed or even habitable.

The increase in vacancy is a result of a significant jump in the number of seasonal housing units. Across the Region about 30% of all vacant units can be attributed to seasonal vacancy. The number of seasonal units increased by 1,174 units or 26% between 2010 and 2018. The seasonal home market is driven in part by Smith Mountain Lake, as there are many second homes in the area.

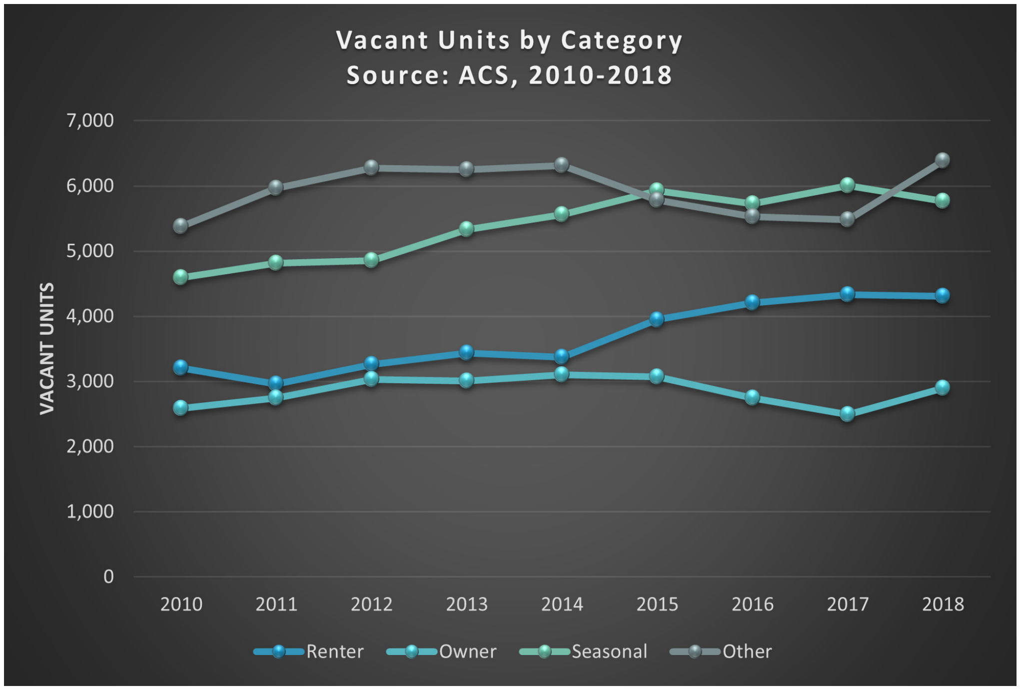
Housing units classified as Other Vacant increased over the eight-year period. The Census defines "other vacant" using eleven categories with ones most pertinent to the Region being: foreclosure, personal/family reasons, legal proceedings, preparing to rent/sell, needs repairs, abandoned/possibly to be demolished or condemned. In 2018, 33% of all vacant units in the Region fell under this category which equates to about 6,385 housing units. Figure 20 shows how the number of vacant units in four vacancy categories changed from 2010 to 2018.

Over this eight-year period, the number of vacant renter-occupied units increased by 36%. This change was due to an increase in the number of renter units being actively marketed indicating activity and turnover in the market. At the same time, the number of vacant ownership units increased by 12% further demonstrating the demand for housing in the Region.

OWNER-OCCUPIED HOUSING MARKET

The housing market analysis section describes the market characteristics associated with both owner-occupied and renter-occupied housing units in the Region. This section contains a description of housing types, price points, and affordability in addition to other topics.

Figure 20 - Vacant Units by Category



SUPPLY

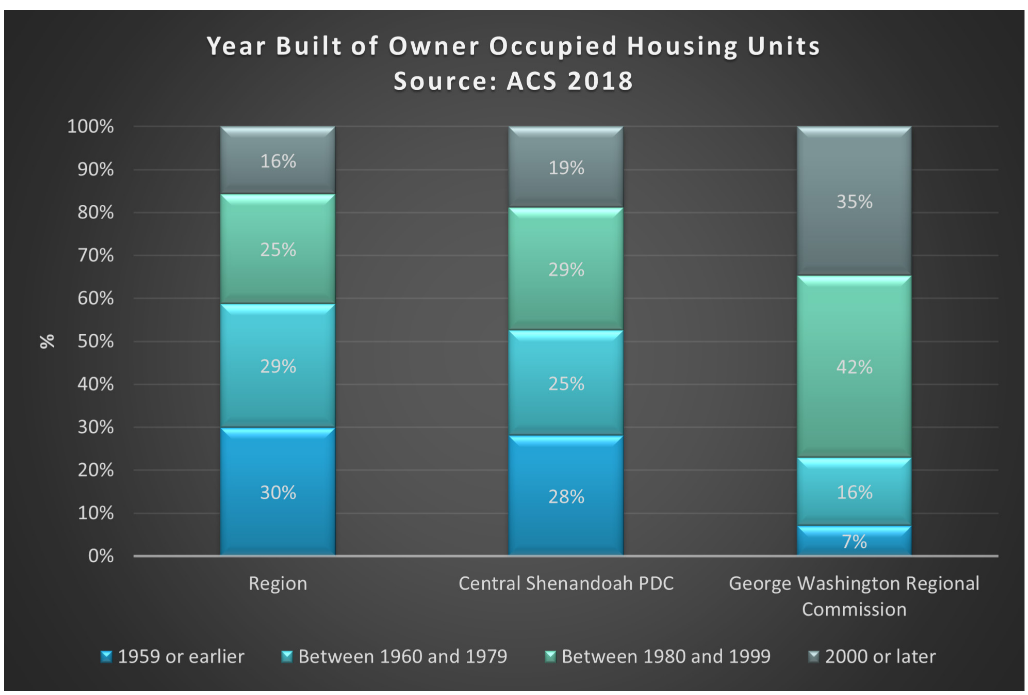
As was noted earlier, owner-occupied units comprise 63% of the Region's housing stock with 93% of units being single family homes, 2% in multi-family structures, and 5% of units in mobile homes. The single-family percentage in the Region is comparable to both the CSPDC and GWRC, but the percentage of multifamily and mobile homes are a bit different.

Table 9 - Housing Tenure, Owner

Owner Occupied	Region	CSPDC	GWRC
Single family	93%	92%	96%
Multifamily	2%	1%	1%
Mobile Home/RV/Other	5%	7%	3%
Source: ACS 2014-2018			

Between 2013 and 2018, there was a decrease of 2,508 owner-occupied housing units and an additional 2,497 renter units. The largest change occurred with single family homes showing the Region losing 1,1734 owner-occupied single-family homes and gaining 2,094 rental single-family homes. This is a trend seen in many places across the country, particularly after the Great Recession when many units were foreclosed upon, purchased by investors, and then rented back to residents. With interest rates at historic lows and capital flowing within the real estate industry, this trend is likely to continue.

Figure 21 - Year Built of Owner-Occupied Housing Units

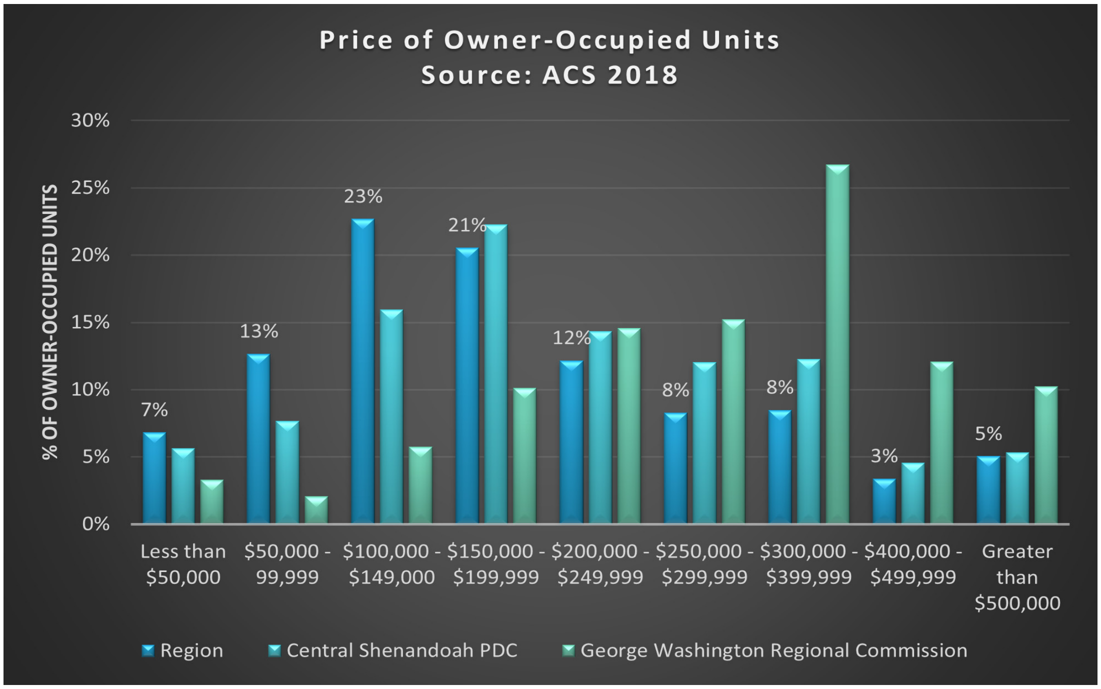


The age of the Region's owner-occupied housing stock mirrors the age of the entire housing stock with 59% of ownership units built before 1980. This compares to 53% for the CSPDC and 23% for the GWRC. What is notable is that the Region was an earlier center of growth compared to the GWRC which grew rapidly during the post-1980's era.

PRICING

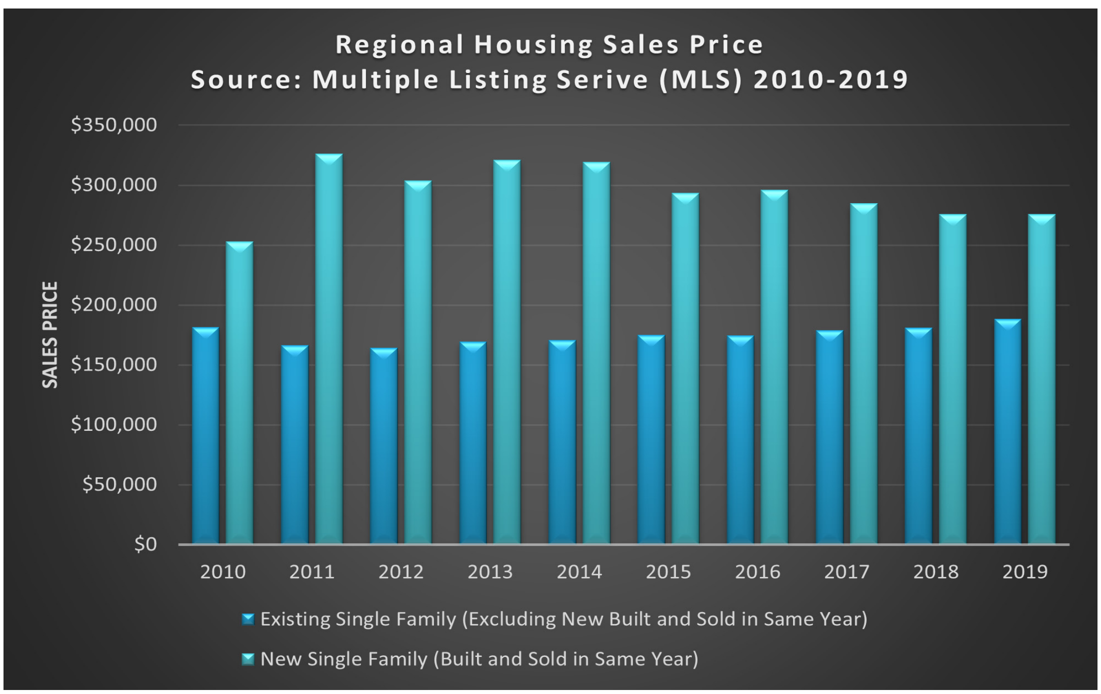
In 2018, the median value of an owner-occupied housing unit in the Region was $177,400. That figure is up 6% over the median value from 2013 of $167,000. While sale prices for owner-occupied units have been rising, the Great Recession hit the Region particularly hard driving both values and sale prices downward. It took until about 2013 for housing values to begin rising again. Figure 22 compares the number of owner-occupied housing units by value range across the Region, CSPDC, and GWRC. Generally, Region's housing stock is more affordable compared to both the CSPDC and GWRC with 61% of all owner-occupied units valued at less than $200,000. For the CSPDC about 51% of units are valued at less than $200,000 while in the GWRC only 21% of units are valued at that price point.

Figure 22 - Percent of Owner-Occupied Units by Value Range



To provide accurate data on owner-occupied sales in the Region, Multiple Listing Service (MLS) data for the period 2010 to 2019 was analyzed. Over the ten-year period, there were about 32,800 sales with an average of 3,279 sales per year. While the Great Recession impacted sale prices between 2010 and 2012, the number of sales per year continued to increase. Starting in 2010, sale prices began to decline to a low of $165,300 in 2012. Prices, number of sales, and days on market have all improved since then.

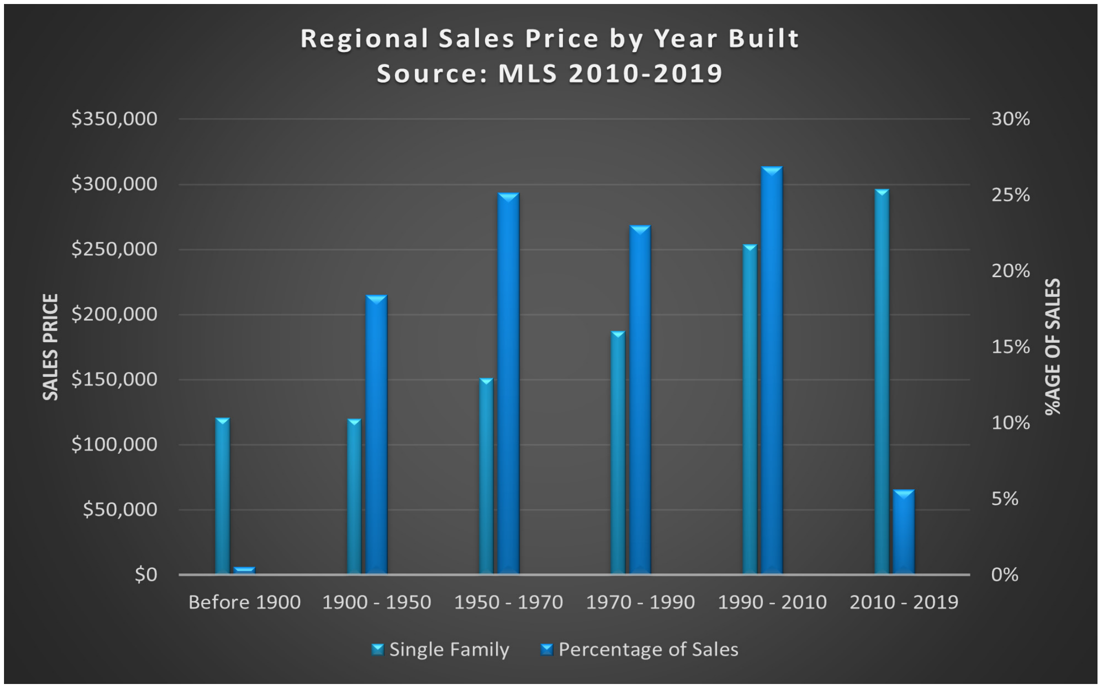
Figure 23 - Sales Price



RKG also looked at a comparison of sales for existing single-family homes versus new single-family homes (ones that were built and sold in the same year) to better understand the price differential between the two. In 2019, new single-family homes on average sold for 47% more than existing single-family homes. The median sales price of a new home in 2019 was $275,662 compared to $188,037 for an existing home. Figure 23 shows median sales price for existing and new homes by year sold.

Homes built before 1970 accounted for 44% of all sales activity. Both the size and price of homes on a per square foot basis vary depending on the age of the home. On a price per square foot basis, the median sales price of a home built before 1950 was $68 per square foot compared to $135 per square foot for homes built after 2010. This shows that older homes do not garner nearly the same price for a variety of reasons including overall size, potential rehabilitation needs, location or school district, and modernized layout and amenities. Interestingly, homes built in the Region prior to 1990 are slightly smaller in size to newer homes constructed after 1990. Homes built prior to 1990 average 1,956 square feet while newer homes average 2,131 square feet.

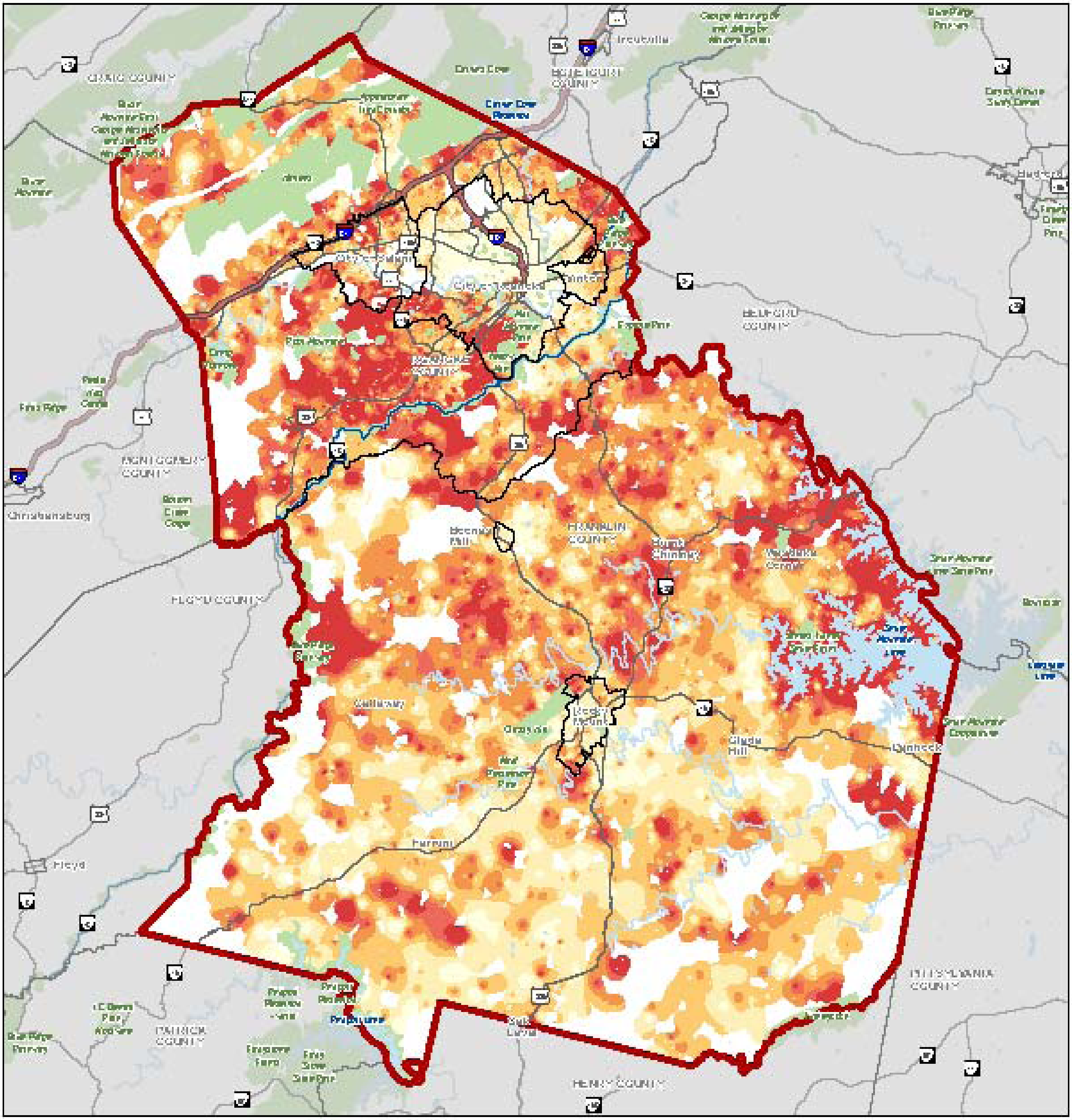
Figure 24 - Sales Price by Year Built



The average days on market varies by product type with new homes selling faster than existing homes, which is a bit surprising given the significant differential in price point. This could again speak to the overall condition of the older, existing housing stock across the region. Overall, the total days on market has declined since 2010 when on average it took an average of 67 days for a unit to sell compared to only 21 days in 2019.

The map on the following page shows the prices of homes sold between 2010 and 2019 across the region. The highest priced markets are across much of Roanoke County and around Smith Mountain Lake in Franklin County. Interestingly, concentrations of lower sale prices are in the incorporated cities and towns like Roanoke, Salem, and Rocky Mount. While there are pockets of higher priced neighborhoods in each of those locations, their overall sales values tend to be lower than those found in the counties. This may be explained by the older housing stock, desire for more space, and real or perceived school quality.

Map 3 - Home Sales 2010-2020



Road Type
- Interstate
- Primary
- Blue Ridge Parkway
- Roanoke Valley Study Region
- Administrative Boundaries
- Water Bodies
- Conservation Land

MLS Sales 2010-2020
Sale Price (CPI-Adjusted)
- $100,000 or less
- $100,000 to $150,000
- $150,000 to $200,000
- $200,000 to $250,000
- $250,000 to $300,000
- $350,000 or more

0 2.5 5 10 Miles

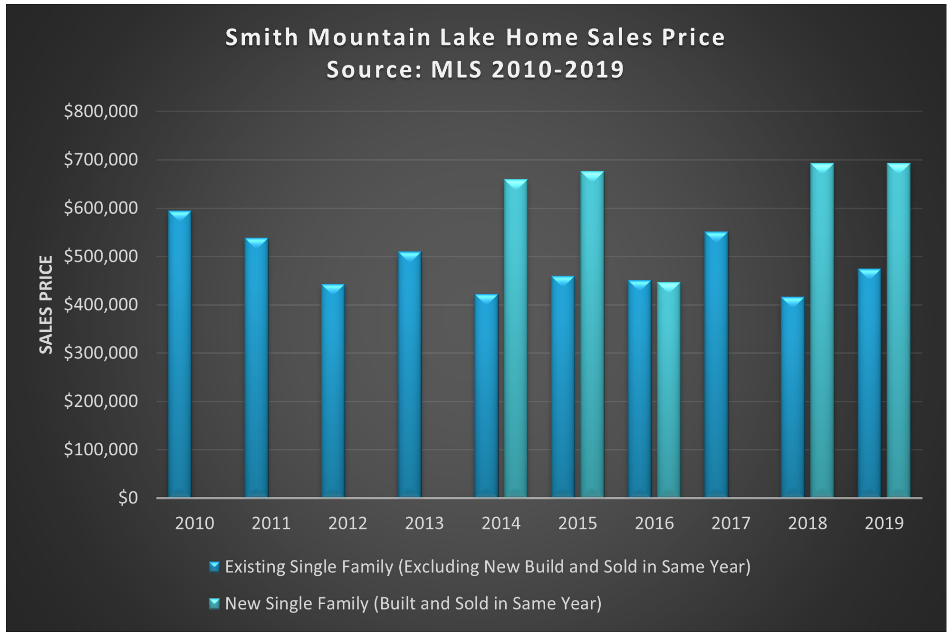
N

Sources: Roanoke Valley-Alleghany Regional Commission, City of Roanoke, City of Salem, Roanoke County, Franklin County, Virginia Geographic Information Network, Dept of Conservation and Recreation, Virginia Economic Development Partnership, Roanoke Valley Association of Realtors Multiple Listing Service

SECOND HOME MARKET

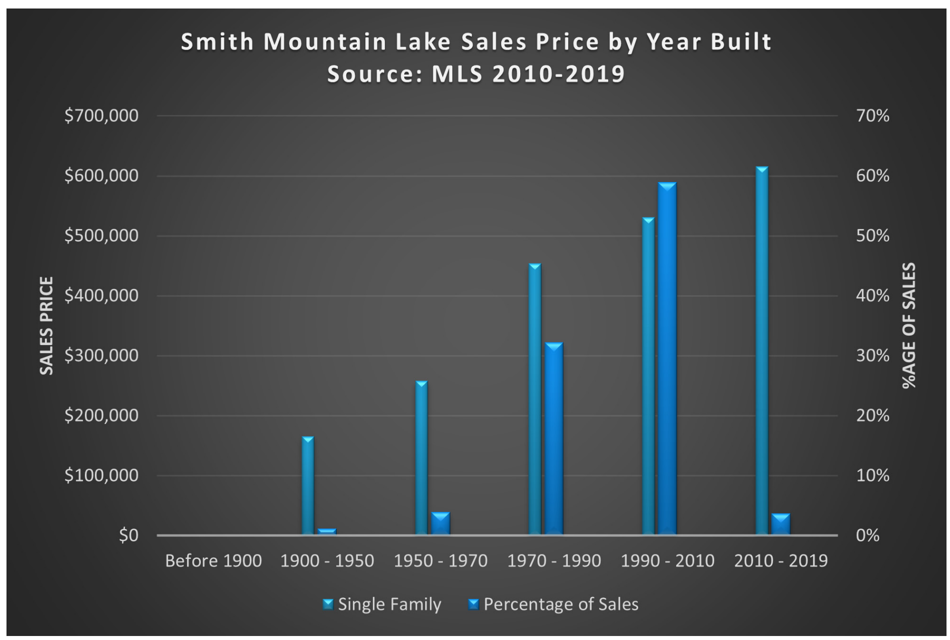
The second home market in the Region is strong, as the Region attracts nature lovers, retirees, and those looking for more space and recreational opportunities. As indicated earlier, nearly 30% of vacant housing units are classified as Seasonal which accounts for over 5,764 units. The seasonal home market distorts the year-round housing market, as prices tend to escalate substantially in prime locations. While it is not possible to identify every seasonal home, a good proxy for understanding the underlying market dynamics is to look at home sales in a location where seasonal homes tend to be concentrated. These areas include Penhook, Moneta, and Union Hall which are in the vicinity of Smith Mountain Lake.

Figure 25 - Smith Mountain Lake Homes Sales Price



Over the 10-year period of 2010 and 2019, there were 374 sales in this area which averages out to 37 sales annually. In 2010, sale prices and total sales began to decline, bottoming out in 2014 before slowly recovering, however prices for existing homes were still below 2010 figures. The median sale price dropped from $595,000 in 2010 to $422,000 in 2014. Since 2014, homes prices, umber of sales, and days on market have all improved.

Figure 26 - Smith Mountain Lake Sales Price by Year Built



Comparing sales of existing single-family homes that sold versus new single-family homes (ones that were built and sold in the same year) provides a good understanding of the price differential between the two. In 2019, new single-family homes sold on average for 46% more than existing single-family homes, with the median sale price of a new home in 2019 being $693,498 compared $474,300 for an existing home. Figure 26 shows median sale prices for housing units in the Smith Mountain Lake area.

Homes built between 1990 and 2019 account for nearly 63% of all sales activity. Both the size and price of homes on a per square foot vary depending on the age of the home. The homes built in recent years are considerably larger than those homes built prior to the 1990's. Homes built between 1970 and 1990, averaged 2,304 square feet and sold for around $208 per square foot. Whereas homes built between 2010 and 2019 averaged 3,719 square feet and sold for $162 a square foot. The price differential between older and newer homes could potentially be explained by the difference in parcel sizes between older and new homes.

RENTER-OCCUPIED HOUSING MARKET

This section provides an analysis of the renter-occupied housing market including supply, demand, and pricing across the Region.

SUPPLY

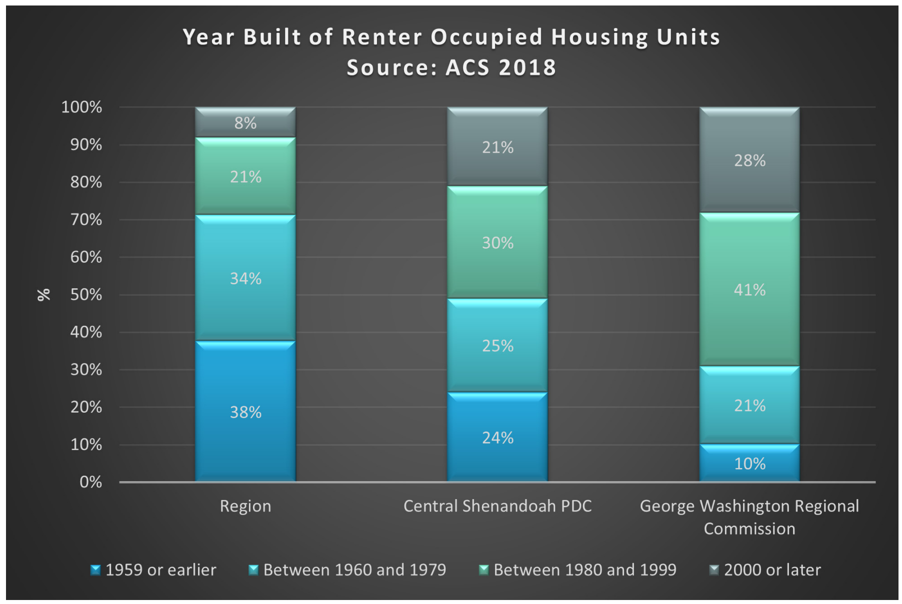
In 2018 only 26% of the Region's households were renters, with 44% of rental units in single family homes, 52% in multi-unit structures, and 4% in mobile homes.

The rental housing stock across the Region is also older with 71% of rental housing units built before 1980. This compares to the CSPDC and GWRC where 49% and 31%, respectively, were build prior to 1980. About 38% of all rental units in the Region were constructed prior to 1959 with older rental units tending to require greater maintenance and sometimes result in less-than-ideal conditions for tenants.

Table 10 - Housing Tenure, Rental

Renter Occupied	Region	CSPDC	GWRC
Single Family	44%	47%	56%
Multifamily	52%	46%	40%
Mobile Home/RV/Other	4%	7%	4%
Source: ACS 2014-2018			

Figure 27 - Rental Structures by Year Built

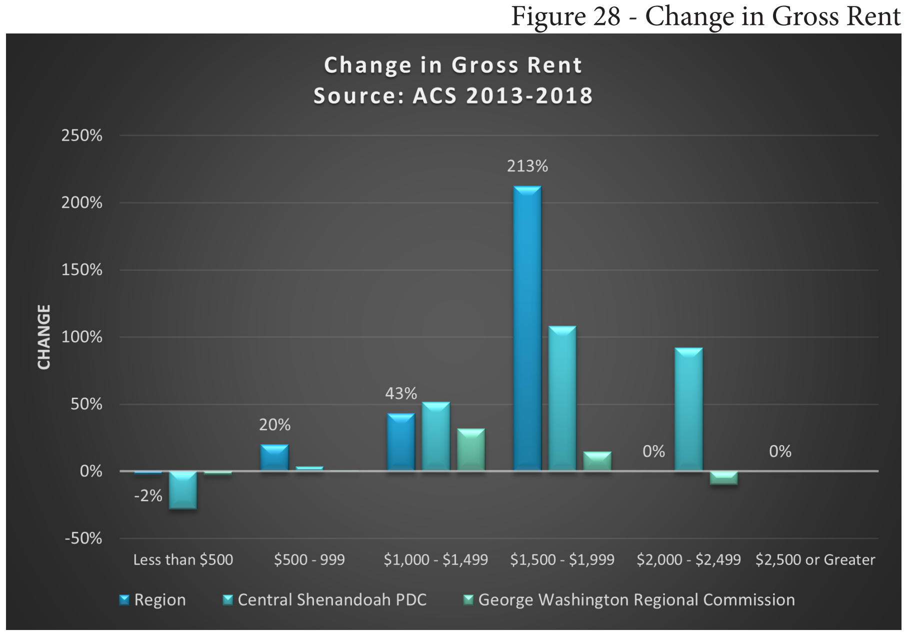


PRICING

In 2018, the median gross rent in the Region was $857 per month which was an increase of 14% from 2013. Gross rent is a measure of the monthly contract rent plus an estimated average utility cost paid by the renter. Utilities factored in include electric, gas, water, sewer, and fuel. Figure 28 shows the change in gross rent between 2013 and 2018 by price range. The number of households paying rent at the very low end (less than $500 a month) has declined by 2%, while the number of households paying rent at the higher end (over $1,500 a month) has grown by 213%. Households paying moderate rents, between $500 and $1,499 per month, have also increased driven mostly by renter households paying between $1,000 and $1,499 per month. Some of this rent growth may be attributed to new product coming on the market across the Region, particularly at the higher end of market.

A recent scan of rental listings showed the average rent for a single-family home to be around $1,000 per month, while rents in multi-family buildings averaged $1,200 per month. Rental prices in the larger apartment complexes vary significantly depending on the location, quality, and amenities offered but are about $200 higher than the average rent for a single family home.

Figure 28 - Change in Gross Rent



AFFORDABLE RENTAL UNITS

In addition to market rate rental units, there are 68 apartment complexes in the Region which have income restricted affordable units. Currently, the Region has 5,475 low-income rental apartment units, of which 3,277 of the tenants receive rental assistance. The median rent in these units is $708. Rental assistance comes in the form of the Section 8 Voucher program which is administered by organizations that include the Roanoke Redevelopment and Housing Authority and Roanoke Total Action Against Poverty. These vouchers are targeted to low-income households, generally those at or below 30% of area median income (AMI). For a household of three, the expected rent would be no more than $941 for a two-bedroom or $1,268 for a three-bedroom unit.

FUTURE HOUSING DEMAND

The population of the Region is projected to grow by 8,779 new residents between 2018 and 2025, a 3% increase. To accommodate this new population growth, RKG Associates developed a methodology for calculating the number of new households based on the increase in population and translated to estimates for future housing demand. RKG assumes that future household composition and housing tenure will follow a similar pattern to today and uses household sizes and tenure splits to allocate future household growth.

To accommodate the population projected for 2025, RKG estimates the Region may need to produce an additional 4,701 housing units above what exists today. This assumes current housing vacancy rates continue to hold steady. RKG also assumed that the split between owner and renter households would remain at its current split of 69% owner-occupied and 31% renter occupied. Under these assumptions, RKG projects the Region would need to add another 3,239 owner-occupied housing units and 1,462 renter-occupied units.

It is worth noting that between 2013 and 2018, the Region gained 438 housing units. Given the increase in units, the Region is making progress toward the target needed to accommodate the projected population and household counts if current trends held steady through 2025. Table 11 shows the allocation of households by household size for the projected new households across the Region. This allocation assumes that trends will remain constant out to the year 2025. For example, in 2018, 31% of all households were 1-person and 37% were 2-person. These percentages are applied in the same way to the total households projected for 2025 which results in 3,184 additional 1- and 2-person households over the next five years. Since 3, 4, and 5+ person households comprise a lower percentage of the Region's household composition those percentages are lower than 1- and 2-person households.

Table 12 shows the breakdown of owner and renter households by household size. With housing tenure held at the 69/31 split based on 2018 data, there is a projected need for an additional 3,239 owner-occupied housing units and 1,462 renter-occupied housing units through the year 2025. New households are skewed toward 1- and 2-person households which are the two predominant household size categories in the Region as of 2018.

Based on the projection data, the Region will need to consider how to increase the production of smaller units to accommodate the increase in 1- and 2-person owner-occupied households. In addition to housing production, the Region should consider rehabilitation programs to bring older owner and renter housing units up to the standards of today's buyers.

Table 11 - 2025 Projections if 2018 Household Composition Held Constant

Household Size	Households	% of Total
1-person household	1,437	31%
2-person household	1,747	37%
3-person household	696	15%
4-person household	503	11%
5-or-more person household	318	7%
Total	**4,701**	**100%**

Source: ESRI, ACS 2013, 2018, RKG Associates

Table 12 - 2025 Projections if 2018 Household Composition Held Constant

Household Size	Owner Households	Total % of Owner	Renter Households	Total % of Renter
1-person household	841	26%	596	41%
2-person household	1,336	41%	411	28%
3-person household	498	15%	198	14%
4-person household	366	11%	137	9%
5-or-more person household	198	6%	120	8%
Total	**3,239**	**100%**	**1,462**	**100%**

Source: ESRI, ACS 2013, 2018, RKG Associates

SECTION 7

Housing Market Gaps

LOW AND MODERATE INCOME LIMITS AND AFFORDABLE HOUSING COSTS

This section explores key housing market gaps based on the demographic analysis and owner and renter market analysis. Gaps focus on the type of housing that may be needed in the Region going forward and the price points that appear to be underserved in today's market.

Most communities have some modestly priced housing that is more affordable to low- and moderate-income households: small, older single-family homes that are naturally less expensive than new homes; multi-family condominiums; or apartments that are leased for lower monthly rents. This type of affordable housing often stays affordable where the market will allow it and redevelopment or rehabilitation pressures are not as high. In the Region today, there is a mix of housing at a variety of price points some of which is income restricted and others that are at a price point that is affordable to low- and moderate-income households.

Permanently affordable housing for low-income households provides protection from higher price increases than those households could otherwise afford. These units remain affordable because their resale prices and rents are governed by a deed restriction that lasts for many years, if not in perpetuity. There are other differences, too. For example, any household – regardless of income – may purchase or rent an unrestricted affordable unit, but only a low- or moderate-income household is eligible to purchase or rent a deed restricted unit. Both types of affordable housing meet a variety of needs. The primary difference is that the market determines the price of unrestricted affordable units, while a recorded legal instrument determines the price of deed restricted units.

Low and moderate incomes are based on percentages of the U.S. Department of Housing and Urban Development (HUD) Area Median Family Income (HAMFI) and adjusted for household size. Table 13 illustrates HUD's income breaks for the Region showing income limits by household size by income category.

Table 13 - HUD income Limits

	Persons in Family							
FY 2020 Income Limit Category	1	2	3	4	5	6	7	8
Extremely Low (30%) Income Limits ($)	$16,100	$18,400	$21,720	$26,200	$30,680	$35,160	$39,640	$44,120
Very Low (50%) Income Limits ($)	$26,850	$30,700	$34,550	$38,350	$41,450	$44,500	$47,600	$50,650
Low (80%) Income Limits ($)	$42,950	$49,100	$55,250	$61,350	$66,300	$71,200	$76,100	$81,000

For example, in the Region, if the household income for a three-person household did not exceed $55,250 that household could qualify for a deed restricted affordable unit. Maximum housing payments are typically set by HUD at no more than 30% of household income, or in this case $1,381 per month. The income limitations and maximum payment thresholds ensure that households are not unduly burdened by housing costs.

AFFORDABILITY ANALYSIS

Growth in housing prices coupled with slower or stagnant growth in incomes contributes to a housing affordability problem known as housing cost burden. HUD defines housing cost burden as the condition in which households spend more than 30% of their gross income on housing. When low- or moderate-income households are spending more than 50% of their income on housing costs, they are considered severely cost burdened. In the Region, 14% of all households are considered cost burdened under HUD's definition and 12% are considered severely cost burdened.

Figure 29 - Housing Cost Burden

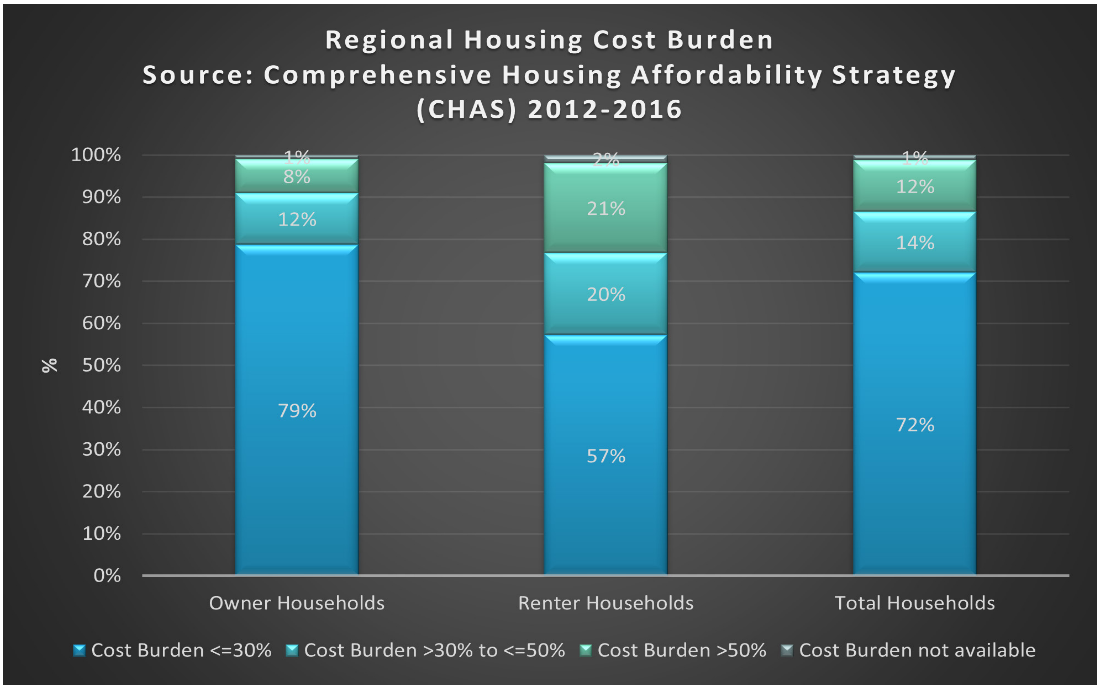


Table 14 shows the percentage of cost burdened owner and renter households. Renters in the Region have a higher tendency to be cost burdened than owners which is typical in most markets. In the case of the Region, 20% of renter households are cost burdened and 21% are severely cost burdened. The percentage of renter households severely cost burdened is almost three times as high as owner households. This correlates with the lower household incomes of renters and rising rental costs across the region.

Table 14 - Housing Cost Burden Overview, Region, 2012-2016

Cost Burden	Owner Households		Renter Households		Total Households	
	Est.	% of Total	Est.	% of Total	Est.	% of Total
<= 30%	75,405	79%	24,725	57%	100,130	72%
>30% to <=50%	11,615	12%	8,415	20%	20,030	14%
>50%	7,818	8%	9,190	21%	17,008	12%
Cost burden not available	850	1%	818	2%	1,668	1%
Total:	**95,688**	**100%**	**43,148**	**100%**	**138,836**	**100%**

AFFORDABILITY MISMATCH

While most communities have some older, more modestly priced homes and units with lower monthly rents these units are not necessarily occupied by low- or moderate-income households. HUD reports data for an affordable housing measure known as affordability mismatch which can be used to compare household income to housing prices. This measure can be used to identify housing price points where there may be an undersupply or oversupply and point to market opportunities where gaps could be filled. Affordability mismatch measures:

- The number of housing units in a community with rents or home values affordable to households in various income tiers;
- The number of households in each income tier; and
- The number of households living in housing priced above their income tier.

Viewing housing affordability in terms of income and cost (affordability threshold) serves as a proxy for understanding the challenges households face to afford adequate housing. To gauge whether owner and renter units in the Region are aligned with household AMI and affordability, RKG calculated the number of households that fall into each AMI category and compared it to the number of owner and renter units affordable at those income limits.

Table 15 shows the affordability analysis based on a three-person owner-occupied household. Given that just under 59% of all owner households in the Region earn at or above 100% of AMI, there is a shortage of units priced to what those households could technically afford. Some of this is related to the Region's market dynamics where many ownership units are valued at less than the average sales price. From an affordability standpoint, many homes across the Region are valued at less than $150,000 making the ownership market more affordable to a wider range of incomes. The issue is the age and quality of that housing stock may not appeal to all buyers in this price range.

Table 15 - Owner Price to Affordability Comparison

Category	Income Threshold	Owner Households	% of Total	Fee Simple Home Price	Owner-Occupied Units	Surplus/ Deficit
30% AMI	$21,720	11,777	12%	$80,663	14,620	2,843
50% AMI	$34,550	10,448	11%	$128,311	14,667	4,219
80% AMI	$55,250	16,967	18%	$205,186	29,806	12,839
100% AMI	$76,700	13,208	14%	$256,622	9,409	-3,799
120% AMI	$82,875	6,787	7%	$307,779	9,592	2,805
120%+ AMI	$82,876	35,858	38%	$307,780	16,951	-18,907
Source: ACS 2014-2018, HUD						

Although this analysis does show a surplus of housing available to households at the lowest income tiers, many households at 30% and 50% of AMI struggle to enter the homeownership market without some assistance. They may lack the down payment necessary to cover mortgage requirements, they may not have a high enough credit score, and if they are able to enter the market the homes available to them may need rehabilitation and upgrades.

It is also worth noting this analysis was completed for a three-person household which carries higher income thresholds across each AMI category than one- or two-person households. If singles or two people wanted to purchase a home, it is likely their choices at the 30% and 50% AMI categories would be extremely limited and likely show a deficit. With the growth in one- and two-person households region-wide, homeownership options for smaller households should be a consideration going forward.

On the rental unit side, Table 16 shows a deficit of 5,324 units priced to households earning at or below 30% of AMI. This is a trend seen not only in the Region, but nationally as well. These units tend to be deed restricted and managed by public entities such as housing authorities. With limited funds for constructing and preserving these units, there are typically affordability gaps at this income level. Like what was described in the owner-occupied affordability section above, the renter analysis is also set to a three-person household with higher income thresholds. A one- or two-person household earing at or below 30% of AMI would have even more difficulty finding an affordable unit as their income would be lower and therefore could afford fewer rental units across the Region.

Table 16 - Renter Price to Affordability Comparison

Category	Income Threshold	Renter Households	% of Total	Monthly Rent	Rental Units	Surplus/ Deficit
30% AMI	$21,720	14,272	33%	$543	8,948	-5,324
50% AMI	$34,550	7,659	18%	$864	15,223	7,564
80% AMI	$55,250	8,300	19%	$1,381	15,173	6,873
100% AMI	$76,700	1,400	3%	$1,918	2,491	1,091
120% AMI	$82,875	5,365	13%	$2,072	339	-5,026
120%+ AMI	$82,876	5,901	14%	$2,072	723	-5,178
Source: ACS 2014-2018, HUD						

At the upper end of the rental market there is a deficit of 9,113 units priced for households at or above 100% of AMI. Again, this is the result of most rental units in the Region being priced between $500 and $1,000 a month. While there are renter households that could afford higher rents, they may be more inclined to rent a single-family home over an apartment unit if the prices are similar.

SECTION 8

Broadband Infrastructure

ACCESS AND DIGITAL DIVIDE

This section investigates the broadband infrastructure in the Region and identifies any gaps and barriers to its deployment.

The U.S. Department of Housing and Urban Development defines the term “broadband” as high-speed, always-on connection to the Internet or also referred to as high-speed broadband or high-speed internet. A critical component of a broadband analysis is to address the need for access for low and moderate-income residents in the communities they serve. Access to computers that are connected to high-speed internet have become integral to how most Americans live their lives, receive information, and conduct business. As more and more information portals, service providers, and public resources transition to online platforms, digital inequities can surface with low-income households often left feeling the impact of the digital divide. Disparate access to computers and high-speed internet can correlate with the inequality of household income, race, ethnicity, and educational attainment. The lack of high-speed internet can also be detrimental to economic development efforts in low-income areas as it reduces capacity for residents to work from home, start home-based businesses, and develop entrepreneurial enterprises.

AMENITY VALUE

Across the Region the major population centers tend to have access to broadband infrastructure, although interviews with local stakeholders indicated that access by neighborhood and income level vary considerably and leave some residents without quality service options. Rural portions of the region do not have such robust infrastructure or competition between providers. Many rural areas have monopolistic providers and slower speeds. Broadband infrastructure is a key amenity for attracting both employers and residents to the area. With the increase in working from home, households need stable and high-speed access to the internet. The value of this resource cannot be understated as the jobs of the future, particularly those in Healthcare, Professional Services, and Insurance require broadband access.

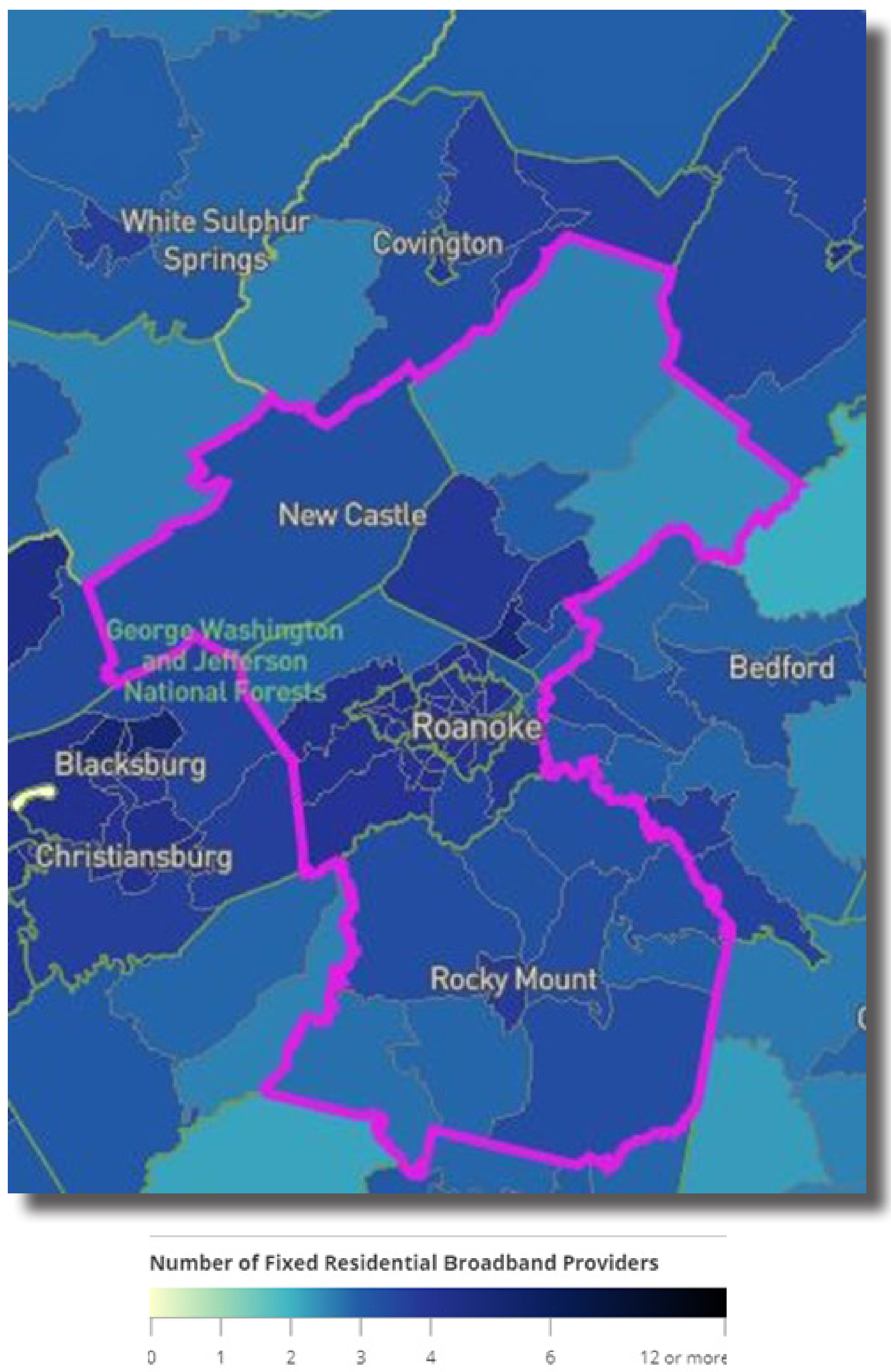
REGIONAL BROADBAND

Although broadband coverage and service is available for nearly the entire Region, there are disparities between the quality of broadband available in rural and urban areas. One of the most important elements regarding broadband is choice of provider and speed. In the urban areas of the Region like the cities of Roanoke and Salem, there are greater numbers of broadband providers. According to data from the Federal Communications Commission (FCC), there are more than five providers which offer speeds of greater than 25/3 Megabits per second (Mbps).

Conversely, the more rural parts of the Region, particularly Franklin County and Roanoke County tend to have a limited number of broadband service providers. The lack of service providers tends to result in monopolistic pricing and slower speeds. One of the reasons for this lack of broadband infrastructure is the topographic challenges of the area. Also, the cost of installing the infrastructure associated with broadband maybe prohibitive since the population of rural areas tends to be sparce.

Additionally, pricing becomes an issue in rural areas, as many households are moderate income and many not be able to afford the monthly service. To overcome the financial challenges, some providers assist residents who qualify for lower-cost broadband plans. For example, AT&T currently offers the "Access Program" which provides low-cost residential internet service to qualifying households that have at least one resident who participates in U.S. SNAP and resides at an address within AT&T's service area. This program provides 3-5 Mbps internet service speeds at a cost of $10 per month.

Broadband is an important amenity for households and employers alike. This technology has become a necessity to keep up with technological change. The role of broadband internet is now like a utility, where it is a basic requirement for households and businesses. Whether used for school, work, or recreation, the internet is a platform which connects people to the rest of the world and unleashes human creativity and productivity.



SECTION 9

Barriers to Addressing Housing

MARKET BARRIERS

To address gaps across the Region's housing market, several barriers will need to be addressed. For the purposes of this analysis and to inform future strategies in each of the subareas, we have organized current barriers into four categories: Market, Financial, Regulatory, and Coordination.

LOWER HOUSEHOLD INCOMES

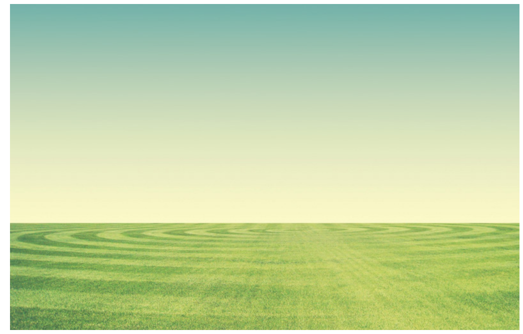
With a median household income of $54,062 and 22% of households having a median income of less than $25,000 a year, spending power on housing purchases or rents is limited for many. As housing prices and rents continue to climb, the need for affordable housing grows. These units are often the most challenging to produce and require deep subsidy or regulatory relief plus a development entity that is knowledgeable about the financing, construction, and long-term management of affordable units. The lower incomes of many households can be a market barrier to producing housing in an environment where costs are often higher due to land availability, environmental constraints and slope, and available infrastructure.

HOUSING PRICES AND COMPS

With the Region's median sales price of $188,700, the construction of new single-family homes or significant rehabilitation of homes in existing neighborhoods with lower housing values could be challenging for some developers/builders. Combining the purchase price of the house/land, demolition of the structure, and construction of a new home could put the sales price of the new home above local comps in the market. This may make it financially challenging for a developer or builder, as well as for the financial institution backing the loans. From the buyer's perspective, it may be challenging to obtain an acquisition and rehabilitation loan if the value of the home plus the value of renovations exceeds local comps.

FEWER OPPORTUNITIES FOR GREENFIELD DEVELOPMENT

There are fewer large, vacant tracts of land available, particularly those without topographic challenges and infrastructure, to support new development. This makes redevelopment of existing land and buildings a possible path forward, however with most redevelopment efforts, a certain level of development intensity is necessary to create financial returns the market will accept. This requires proactive zoning and good communication with the community about the benefits of redevelopment projects.



MARKET PRICE DISTORTION FROM THE SALE OF SECOND HOMES

Market distortions from seasonal housing is influencing housing prices in certain parts of the Region, particularly in Franklin County. Across the Region, 30% of all vacant units are classified as Units for Seasonal/Recreational use removing a portion of the year-round housing stock that would typically be available to permanent residents. In the Smith Mountain Lake area, a new single family home on average sells for nearly 46% more than existing single family homes, with the median sale price of a new home in 2019 of $693,498 compared to $474,300 for an existing home. Sales prices of homes found in the Smith Mountain Lake area are about 75% higher than those found in the rest of Franklin County creating challenges for low- to moderate-income households who may want to live in this area. As the number of seasonal units continues to rise, housing availability, particularly affordably priced housing will become more limited.

DECLINE IN 35 TO 44 YEAR-OLD POPULATION

Between 2013 and 2018, the number of residents between the ages of 35 and 44 decreased by 9%. Historically, this age cohort is at peak family formation and are a potential buyer pool for starter homes or larger homes representing a move up in the market. The continued decline in this population could potentially impact home purchases, home prices, and the vacancy rates across the Region.

FINANCIAL BARRIERS

Financial barriers refer to the access to capital needed to fund housing development, access to financing to purchase a home, resources to address housing inequities and challenges, and the financial feasibility of rehabilitating the existing housing stock in certain parts of the Region. Financial barriers to housing development include:

REHAB AND ACQUISITION

Rehabilitation of the older housing stock is difficult to execute because it requires a concerted effort on the part of homeowners, the availability of financing, and coordinated efforts by municipal officials. Rehabilitation is difficult from the homebuyer side because financial resources are not always available for renovation projects. While some lenders offer construction financing, lending terms may not be favorable to low- to moderate-income households who are unable to pay the loan back on top of an existing mortgage. While there are programs which help homeowners finance rehabilitation costs, these funds are limited.

There are also challenges for potential buyers of homes that need rehabilitation work. In areas where housing rehabilitation has not occurred and home values are lower, it can be difficult for lenders to find comparable properties to justify a combined rehab and acquisition loan. Oftentimes, gap financing is needed through a flexible funding source to help make up the difference between what a lender is willing to offer and the amount the homebuyer needs for repairs. This may also disproportionately impact low- to moderate-income households who may not have cash on hand to complete the needed rehabilitation on the home.

DEVELOPMENT FEASIBILITY

The financial feasibility of revitalizing and redeveloping older neighborhoods, building on infill lots, or undertaking new development is a barrier. The cost of land, materials, and construction are significant, especially with the topographic challenges in parts of the Region and the availability of infrastructure and utilities. The risks associated with larger projects can be high, particularly in untested markets where there are fewer local builders willing to take risks. Financial feasibility concerns limit the potential of new developments to include affordability components, as developers opt to build higher priced housing to mitigate risk and increase returns.

FUNDING RESOURCES

Funding to support housing programs and initiatives is limited in many cases to those available through local taxation or development fees, state funding dedicated to housing, tax credit programs, and federal housing programs like CDBG or HOME funds. Providing new affordable housing options will take a concerted effort and leveraging a variety of funding resources. This will be a key barrier to implementation and one that will require a coalition of government, non-profits, faith-based organizations, and private investors.

LENDING CRITERIA AND ACCESS TO FINANCING

Homebuyers are challenged by increasing levels of personal debt, diminished savings, and stricter lending requirements by financial institutions due to the housing crisis. Purchasing power constraints limit the ability of households to buy homes or undertake major renovations to existing homes. Younger householders who carry large student loan debt coupled with price escalations in the housing market make homeownership difficult to attain and can result in greater numbers of renter households. For low- and moderate-income households, obtaining and maintaining a qualifying credit score can also be a challenge to accessing financing.

REGULATORY BARRIERS

Regulatory barriers refer to the policies and regulations placed on residential development by local, county, and/or state government that may be impeding the construction of certain types of housing product. This may be related to zoning, subdivision controls, permitting, or building codes. Regulatory barriers to housing development include:

INTEGRATING AFFORDABLE HOUSING

Integration of affordable housing can be challenging in markets where housing prices (sale or rents) are not enough to subsidize the inclusion of affordable units on its own. There may be a need for localities to revisit zoning regulations and permitting processes to look for ways to offset the inclusion of affordable units with mechanisms like a density bonus, expedited permitting, or reduced fees.

ZONING ORDINANCES

Across the Region, zoning ordinances vary with some offering property owners quite a bit of flexibility from a residential perspective, including allowing a range of housing types to be built. While other ordinances are more restrictive and regulate the types of housing allowed (e.g., single family only). There is demand in the Region for housing, both large and small size units. Localities in the Region should revisit their zoning ordinances to ensure they are calibrated to meet the future growth in households.

ADAPTIVE REUSE AND CODE COMPLIANCE

Adapting older buildings to meet today's building codes and accessibility requirements can be very expensive, particularly for those buildings that could host a mix of uses. Improvements such as adding sprinklers, providing elevator access to upper floors, and making accessibility improvements often require a large amount of upfront capital that may take a long time to recapture in an area with lower residential and commercial rents. These required improvements can sometimes force property owners to keep upper stories vacant or limit the ability to fit out spaces for a different mix of tenants.

COORDINATION BARRIERS

Coordination barriers refer to the ability of stakeholders to come together and focus efforts and resources to help with the Region's housing challenges. Change is never easy nor is identifying funding to address challenging issues, but both require a coalition of leaders to come together and agree on priorities and direction. Potential coordination barriers include:

IDENTIFY FUNDING SOURCES

To address housing issues identified in this study, additional funding sources are going to be needed. The housing market, while growing, is not necessarily meeting the needs of all residents. The market may not course correct on its own in the short-term and there may be a need to identify subsidies to prime the market in areas that have not seen new investment or may not be supplying the diversity of housing choices needed to serve residents today and into the future. Raising additional funds, leveraging resources, or reallocating existing funding is never easy but may be necessary to address housing needs across the Region.

REGIONAL COLLABORATION

Over the last two decades, private corporations such as financial institutions, major employers, and anchor institutions such as hospitals and universities have played an increasingly important role in improving and expanding affordable housing. Investments in low-income housing tax credit projects have been a primary contributor to building multifamily affordable rental units across the country. The Region has a need to expand both the amount and type of affordable housing as well as the pool of funding available for such projects. The challenge now is for the Region to take charge of those challenges and begin seeking a larger partnership between government, philanthropy, and the private sector. This is a best practice in many places across the country who are working collaboratively to invest in larger, more complex community and economic development solutions.

The concept of leveraged capital, when a small amount of initial capital is made available to attract additional resources, is not new to the affordable housing industry. Most affordable housing built since the early 1990s has been financed by private equity investments seeking low-income housing tax credits and market rate returns. What is new to the community development sector are the innovations created through co-investment opportunities between the public and private sectors.

In the Region, partnership between local government, affordable housing providers, institutions, employers, non-profits, VHDA, and the RVARC will be critical to addressing housing needs going forward.

SECTION 10

Recommendations for Future Housing Programs

To address the identified barriers across the Region's housing market, several high-level recommendations for future housing program are identified and elaborated upon. Greater detail regarding local housing strategies can be found in the locality documents which accompany this Regional study.

HOUSING REHABILITATION

The older housing stock across the Region was identified as a key issue. This is particularly true as older housing units tend to need continual maintenance otherwise these structures will begin to deteriorate. The rehabilitation of older housing stock is difficult to execute because it requires a concerted effort on the part of property owners, the availability of financing, and coordinated efforts by municipal officials. Additionally, a continued stream of funding is necessary to ensure the continuity of a program and the ability to meet goals.

The Region, and each subarea, should work toward improving upon, or starting housing rehabilitation programs. Existing low- and moderate-income households have trouble in securing housing, and any new programs should be targeted towards these groups. Housing rehabilitation programs can be targeted to property owners to help bring to code structures that are in disrepair. Across the Region, the total number of Vacant Other units is 6,385 which accounts for 33% of all vacant units. These units are in various states of disrepair and if targeted programs were created to fix these units and put them back on the market, some housing pressures could be relived particularly in the future when the Region will experience a growing demand for housing.

EFFECTIVE ZONING

Zoning can help ensure that that community needs and wants are reflected in the built environment; however, for zoning to be effective it must be both clear and in-line with the market. If the zoning is ineffective, then development that meets the needs of the community will not result. Across the Region, zoning ordinances vary, with some offering property owners quite a bit of flexibility from a residential perspective. While other ordinances are more restrictive and regulate housing, typologies allowed (e.g. multifamily, mixed use). Localities in the Region should revisit their zoning ordinances to ensure they are calibrated to meet the needs of the future.

A Regional program could be created which helps municipalities obtain a zoning diagnostic and review. This could help communities revise their zoning ordinances and provide more clarity to users. Funding for such a program could come from through the pooling of local CDBG monies, or grants. The benefit of this type of program is that it can help communities pivot towards the future.

REGIONAL COORDINATION

Housing is a regional issue particularly in the RVARC where there are multiple employment centers, and residents commute long distances for work. In the Region, greater partnership between local governments, affordable housing providers, institutions, employers, non-profits, VHDA, and the RVARC will be critical to addressing housing needs going forward. This is a best practice in many places across the country who are working collaboratively to invest in larger, more complex community and economic development solutions.

One approach towards ensuring coordination is to establish a Regional Housing Committee. This committee could be composed of key stakeholders in the Region who work toward the goal of providing more housing in the Region. The committee could work with individual localities to document and provide direction toward helping each community fulfill their housing needs. Funding for such a committee could come from each locality and well as the RVARC.

Regional coordination would also help in bringing about truly affordable housing by targeting resources towards specific projects which meet the need for regional housing. Through the Regional Housing Committee, affordable projects could be prioritized to ensure they get built. The Low-Income Housing Tax Credit (LIHTC) program is a competitive program in which developers can secure tax credits to help finance their projects. A Regional Housing Committee could help developers looking to build low-income by supporting their application process at the state level.

Through a regional approach towards development, capital can be pooled for specific projects or goals. The concept of leveraged capital, when a small amount of initial capital is made available to attract additional resources, is not new to the affordable housing industry. Most affordable housing built since the early 1990s has been financed by private equity investments seeking low-income housing tax credits and market rate returns. What is new to the community development sector are the innovations created through co-investment opportunities between the public and private sectors.

REGIONAL APPROACH TO INFRASTRUCTURE

Given the topographic and geographic challenges in the Region, the cost of delivering basic infrastructure is high. Across the Region there are large disparities in infrastructure such as water, sewer, and broadband between communities. Urban locations such as the cities of Roanoke and Salem tend to already have the infrastructure in place, while more rural areas like Franklin County have yet to achieve the same level of infrastructure as their regional counterparts. This disparity in infrastructure hinders the development of housing as well as blocks potential economic opportunities.

Long-term commitment to capital investment and maintenance of infrastructure is vital to achieving a more prosperous, accessible, livable, and sustainable future. Through a regional approach, area leader can build upon the region's infrastructure systems, which include, water, energy, and broadband. By coming together, the Region can forge consensus for major infrastructure investments, and promote these investments as policy priorities. Working together on infrastructure can unlock the potential of the Region, particularly regarding housing as different typologies are need in the future, many of which may not be supportable in areas lacking infrastructure. Any regional strategy should include the Roanoke Valley Broadband Authority and the Western Virginia Water Authority.