

# City of Richmond Affordable Housing Strategy



City of Richmond, Virginia  
November 6, 2014

Final Report



DAVID PAUL ROSEN & ASSOCIATES  
DEVELOPMENT, FINANCE AND POLICY ADVISORS



# City of Richmond Affordable Housing Strategy: Research Findings

## PREPARED FOR:

Economic Development and Planning  
City of Richmond, Virginia  
900 East Broad Street  
Richmond, Virginia 23219



## PREPARED BY:

### David Paul Rosen & Associates

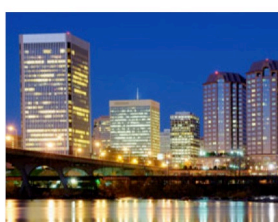
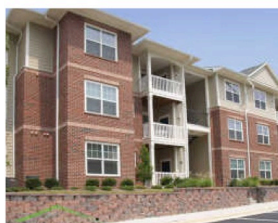
1330 Broadway, Suite 937  
Oakland, CA 94612  
510-451-2552  
510-451-2554 Fax  
david@draconsultants.com  
www.draconsultants.com



3941 Hendrix Street  
Irvine, CA 92614  
949-559-5650  
949-559-5706 Fax  
nora@draconsultants.com  
www.draconsultants.com



## Table of Contents



- I. Research Findings..... 1**
  - 1. Introduction ..... 1**
  - 2. Summary of Findings ..... 2**
    - a. Subsidy Costs for New Affordable Multifamily Rental Housing ..... 3
    - b. Subsidy Costs for Affordable Single-Family Owner Housing... 4
- A. Affordable Housing Income Levels, Rents and Home Prices ..... 5**
  - 1. Target Income Levels..... 5**
  - 2. Affordable Rents and Home Prices ..... 6**
    - a. Affordable Housing Cost Definitions..... 6
    - b. Occupancy Standards ..... 7
    - c. Utility Allowances ..... 7
    - d. Affordable Rents and Sales Prices ..... 7
- B. Summary of Existing Housing Needs ..... 9**
  - 1. Household Income Distribution ..... 9**
  - 2. Overpayment ..... 10**
  - 3. Substandard Housing Conditions..... 13**
  - 4. Overcrowding ..... 13**
  - 5. Homeless..... 14**
- C. Existing Affordable Housing Supply ..... 15**
  - 1. Public Housing ..... 15**
  - 2. Other Federally Subsidized Housing ..... 17**
- D. Market Rents and Home Prices ..... 18**
  - 1. Comparison of Market and Affordable Rents and Sales Prices..... 18**
    - a. Comparison of Market and Affordable Rents..... 18
    - b. Comparison of Market and Affordable Sales Prices..... 20
- E. Subsidy Required to Develop Affordable Housing..... 21**
- F. Existing Resources for Affordable Housing ..... 23**
- G. Affordable Housing Trust Fund Revenue Options ..... 24**



**II. Strategy Recommendations ..... 26**

**A. Principles and Goals..... 26**

**1. Guiding Principles..... 26**

    a. Targeting on Those Most in Need ..... 26

    b. Preserving Assisted Housing..... 26

    c. Sound Investment and Financial Management of City Resources Through Leveraging ..... 27

    d. Efficient and Flexible Program Design ..... 27

    e. Productive Investment ..... 27

    f. Public/Private Partnerships ..... 27

**2. Framework/Best Practices..... 28**

    a. Density ..... 28

    b. Term of Affordability..... 28

    c. Location ..... 29

    d. Mixed-Use and Mixed-Income Projects ..... 29

    e. Energy Efficiency ..... 29

    f. Maximize Assistance ..... 29

**3. Goals..... 30**

**B. Housing Functions, Organization and Qualifications..... 33**

**1. Housing Functions..... 33**

    a. Housing Policy and Advocacy ..... 33

    b. Housing Finance..... 33

**2. Collaboration with the Richmond Redevelopment and Housing Authority ..... 36**

    a. Challenges Facing RRHA in Addressing its Core PHA Mission ..... 37

    b. RRHA Recommendations ..... 38

**3. Organization of Housing Function at the City..... 39**

    a. Policy and Advocacy ..... 40

    b. Budget and Production Goals ..... 40

    c. Coordination as needed with other departments..... 40

    d. Coordination with RRHA ..... 40

    e. Coordination with other agencies ..... 40

    f. Management of Richmond’s Affordable Housing Trust Fund, HOME, CDBG and other affordable housing lending and grant programs ..... 41

    g. Richmond’s Point Person for Housing ..... 41

    h. Neighborhood Revitalization ..... 41





- 4. Staffing..... 42
- 5. Housing Director Qualifications ..... 42
- C. Program Elements..... 43
  - 1. RRHA Revitalization..... 43
    - a. Role of the RRHA..... 43
    - b. Public Housing Revitalization ..... 43
    - c. Disposition and development of RRHA-owned vacant and scattered properties ..... 45
    - d. Use of Project-Based Vouchers ..... 47
  - 2. Sale of Tax-Delinquent Parcels..... 47
  - 3. New Rental Construction ..... 49
  - 4. Single-Family Acquisition and Rehabilitation ..... 50

**List of Appendices (Under Separate Cover)**

- Appendix A. Housing Needs and Market Assessment
- Appendix B. Affordability Gap Analysis
- Appendix C. Existing Revenue Sources for Housing
- Appendix D. Affordable Housing Trust Fund: Revenue Options Analysis





## List of Tables

1. Affordable Housing Income Limits by Percent of Area Median Income and Household Size .....	6
2. Affordable Net Rents by Percent of Area Median Income and Unit Bedroom Count .....	8
3. Affordable Home Prices by Percent of Area Median Income and Unit Bedroom Count .....	8
4. Household Income Distribution .....	9
5. Households Paying More than 30% and More than 50% of Gross Income on Housing by Income Level.....	11
6. Renter Households Paying 30% or More of Income on Housing by Planning District.....	12
7. Households Living in Substandard Housing Lacking Complete Plumbing or Kitchen Facilities .....	13
8. Overcrowded Households .....	14
9. Summary of Public Housing Inventory, Richmond Redevelopment and Housing Authority .....	16
10. Federally Subsidized Affordable Housing Projects with Use Restrictions Expiring Before December 31, 2014.....	17
11. Comparison of Average Market and Affordable Rents .....	18
12. Distribution of Rental Housing Units by Rent Paid.....	19
13. Affordability of Existing Home Sales .....	20
14. Summary of Average Per Unit Development Costs by Prototype, Richmond Affordability Gap Analysis.....	22
15. Summary of Per Unit Subsidy Requirements, Owner Housing Prototypes.....	22
16. Summary of Per Unit Subsidy Requirements, Renter Housing Prototypes With and Without Tax Credits .....	23
17. Existing Resources for Housing, 2014 and 2015 (Proposed) .....	23
18. Potential Revenue Sources for the Richmond Affordable Housing Trust Fund .....	25



**List of Charts**

- 1. Income Distribution, City of Richmond, 2012..... 10
- 2. Households Paying More than 35% of Income on Housing by Planning District, 2012 ..... 12
- 3. Percent of Units with Rents Above and Below \$1,000 Per Month, City of Richmond Planning Districts, 2012 ..... 19



# I. Research Findings

## 1. Introduction

The City of Richmond (City) retained David Paul Rosen & Associates (DRA) to prepare a Comprehensive Affordable Housing Strategy and Affordable Housing Trust Fund Study for the City. The goal of the Study is to assist local decision-makers in making informed policy decisions that best provide for the affordable housing needs of the community, and to guide the use of the City's Affordable Housing Trust Fund.

The research phase of this Study analyzed demographic and residential real estate market conditions, affordable housing needs, and existing local revenues for housing in the City of Richmond. It also reviewed potential revenue sources for the Richmond Affordable Housing Trust Fund (AHTF).

The reports detailing DRA's research are found in the following Appendices to this Strategy Report:

<b>A: Housing Needs and Market Assessment</b>	Provides an overview of demographic, housing and residential real estate market trends and conditions in Richmond and different geographic areas of the City.
<b>B: Affordability Gap Analysis</b>	Compares the amount households at alternative income levels can afford to pay toward housing and the development costs and market prices of those homes in Richmond today.
<b>C: Existing Revenue Sources for Housing</b>	Summarizes existing financial resources for affordable housing in Richmond, including recent trends in funding amounts.
<b>D: Affordable Housing Trust Fund: Revenue Options Analysis</b>	Examines a range of funding sources that could prospectively be used to provide ongoing capital support to the City's Affordable Housing Trust Fund.

Based on the findings of DRA's research and discussions with administrators, policy makers and stakeholders in the City, DRA prepared recommendations for establishing affordable housing policy and goals, organizing the housing function, and designing and implementing housing programs consistent with those policy objectives.





## 2. Summary of Findings

The affordable housing needs assessment identified substantial affordable housing needs in the City:

- Almost 35% of the City's households earn less than \$24,999 per year, which equals only 34% of the City's Area Median Income (AMI) of \$72,900 and supports an affordable rent of only \$500 per month for a two-bedroom unit. Only about 19% of Richmond's rental housing units rent for less than \$500 per month.
- There are nearly 8,400 renter households, representing one in five households in Richmond, that earn less than 30% of AMI (\$21,900 per year for a family of four in 2014) and pay more than 50% of their limited gross income on housing (rent plus utilities). These households represent the most severe housing need for the City.
- Another 2,400 renter households earning between 30% and 50% of AMI (\$36,500 for a family of four) are severely cost-burdened.
- There are about 2,600 existing homeowners earning less than 30% of AMI (\$21,900 per year for a family of four in 2014) who pay more than 50% of their income on housing. These and other very low income homeowners have inadequate incomes to maintain and operate their homes over the long term.
- There is a large stock of vacant lots as well as vacant and blighted units in a number of Richmond's neighborhoods, but the cost to build or acquire and rehabilitate housing in certain neighborhoods often exceeds their market value.
- The Richmond Redevelopment and Housing Authority (RRHA) currently owns approximately 3,900 public housing units and administers approximately 3,000 Housing Choice Vouchers that serve the poorest of Richmond's residents. Nearly all the public housing units (over 96%) were built prior to 1984 and therefore are at least 30 years old. At least two-thirds, or 2,575 units, were built prior to 1964 and are more than 50 years

old. Therefore, there is a great need to replace this existing affordable housing with new units.

- RRHA has initiated efforts to transform Richmond’s aging public housing. RRHA received a 1997 HOPE VI Revitalization Grant of approximately \$27.0 million to replace 440 public housing units in the Blackwell community. In 2008, RRHA embarked on the Dove Court revitalization program, involving demolition of Dove Court and replacement with new apartments and single-family homes. RRHA is currently in the predevelopment stage of demolishing and replacing the 504 public housing units at Creighton Court and the 447 units at Whitcomb Court. The Agency has entered into an agreement with The Community Builders, Inc. (TCB) out of Boston to serve as master developer for this project.

**a. Subsidy Costs for New Affordable Multifamily Rental Housing**

- The per unit subsidy required to develop new multifamily housing in Richmond affordable to very low and low income households is estimated as follows:

	<u>Affordability Gap Per Unit</u>
○ Unleveraged <sup>1</sup>	\$90,000
○ 4 Percent Tax Credits, Tax-Exempt Bonds <sup>1</sup>	\$30,000
○ 9 Percent Tax Credits <sup>2</sup>	\$2,500

Per unit subsidies may be higher based on income targeting, the tenant population and need for services, and individual project development costs.

- If total revenues of \$10 million per year to the Affordable Housing Trust Fund (a substantial revenue flow to the City) were spent on new rental housing, it would support the development of approximately 110 new rental units per year at an unleveraged average local subsidy of \$90,000 per unit or about 330 units per year at an average subsidy of \$30,000 per unit. Over a ten-year period, with leverage the City could meet the needs of about one-third of the City’s cost-burdened very low income renters.

---

<sup>1</sup> Assumes units affordable to households earning 60% of AMI.

<sup>2</sup> Assumes units affordable to a households earning 40% and 50% of AMI.



## **b. Subsidy Costs for Affordable Single-Family Owner Housing**

- The cost to acquire and rehabilitate existing homes varies widely based on the size, condition and location of the home. Assuming acquisition of units for \$20,000 to \$40,000 per unit, total development costs may range for \$200,000 to \$280,000 per unit, while market prices may range from \$130,000 to \$180,000 in some neighborhoods.
- New infill construction on vacant lots runs into similar challenges of market values that are lower than construction costs and lack of demand in some neighborhoods for households at 80% of AMI. In many cases, the cost to build modestly-sized new single-family homes on infill lots is less than rehabilitating existing home, with estimated total development costs ranging from \$180,000 to \$235,000.
- These conditions result in current subsidies for affordable home ownership that often run \$50,000 to \$100,000 for new and rehabilitated homes.
- Acquisition and rehabilitation of scattered site homes for operation as rental housing, rather than for-sale housing, may be feasible but creates asset management challenges and costs.
- At an average per unit subsidy of \$50,000 per unit, total revenues of \$10 million per year to the Affordable Housing Trust Fund would assist the development of 200 affordable single-family homes per year for low income homebuyers, if all of the revenues were spent on this program.

## **3. Summary of Recommendations**

Based on the findings of DRA's research and discussions with administrators, policy makers and stakeholders in the City, DRA provides the following key recommendations for the Richmond Affordable Housing Strategy. More detailed recommendations are provided in Section II of this Report.

- The City of Richmond should make a \$10 million per year commitment of new revenue sources for affordable housing to evidence the City's intention to materially address the substantial affordable housing needs in Richmond. This commitment should be for at least ten years. As detailed in Appendix D: Affordable Housing Trust Fund: Revenue Options, this can be achieved

by broadly based, modest increases in a variety of taxes and fees in Richmond.

- The City of Richmond should elevate the organization of the housing function in the City by creating a Housing Director position; The Housing Director should be on par in authority with the Planning Director and Economic Development Director to ensure coordination with other functional areas within the City, and to effectively administer affordable housing projects and programs.
- Implementation of a meaningful and successful affordable housing program in the City of Richmond will require the development of a functional and collaborative working relationship between the City and RRHA. This must involve cooperative working relations among City and RRHA administrative officials, as well as the Mayor, City Council and RRHA Board.
- The City of Richmond and RRHA should make effective use of their substantial land and property assets, including property already owned by RRHA and properties that potentially may be acquired by the City using recent legislation regarding tax-delinquent properties, to provide land and financial resources for affordable housing development.

## A. Affordable Housing Income Levels, Rents and Home Prices

This section defines affordable housing income levels, rents and home prices used in the Affordable Housing Strategy. More detail on the methodology and assumptions used in calculating affordable rents and sales prices is provided under separate cover in **Appendix B: Affordability Gap Analysis**.

### 1. Target Income Levels

This Affordable Housing Strategy uses income limits as commonly defined by the Department of Housing and Urban Development (HUD), the Low Income Housing Tax Credit (LIHTC) Program, and most affordable housing assistance programs. Very low income households are defined as households with incomes less than 50% of Area Median Income (AMI). Low income households are defined as households with incomes between 51% and 80% of AMI. Moderate income households are defined as households with incomes between 81% and 120% of

AMI. An extremely low income category for households earning less than 30% of AMI is also sometimes used. All of these income limits are adjusted by household size using HUD’s family size adjustment factors.

**Table 1** shows 2014 household income limits by percentage of the City’s AMI by household size (based on the above income category definitions and Richmond’s 2014 median household income of \$72,900 for a four-person household). This analysis also looks at a median income category for households between 81% and 100% of AMI; a 60% of AMI category, which is widely used in the LIHTC program; and the “extremely low income” category of households earning less than 30% of AMI.

Household Size	30% AMI	50% AMI	60% AMI	80% AMI	100% AMI	120% AMI
1 Person	\$15,300	\$25,550	\$30,600	\$40,850	\$51,030	\$61,250
2 Persons	\$17,500	\$29,200	\$35,000	\$46,650	\$58,300	\$70,000
3 Persons	\$19,700	\$32,850	\$39,400	\$52,500	\$65,600	\$78,700
4 Persons	\$21,900	\$36,450	\$43,750	\$58,300	\$72,900	\$87,500
5 Persons	\$23,600	\$39,400	\$47,250	\$63,000	\$78,750	\$94,500
6 Persons	\$25,350	\$42,300	\$50,750	\$67,650	\$84,550	\$101,500

HUD reports very low income (50% AMI) and low income (80% AMI) limits, rounded to \$50. Other income limits calculated based on percent AMI.

## 2. Affordable Rents and Home Prices

### a. Affordable Housing Cost Definitions

Calculation of affordable rents and home prices requires defining affordable housing expense for renters and owners. Affordable housing expense for renters is defined to include rent plus utilities, which is standard for affordable housing programs and practice. For owners, the definition of affordable housing expense includes mortgage principal, interest, property taxes and homeowner’s insurance. For renters, affordable housing expense is calculated at 30% of household income, the standard of virtually all rental housing programs. For owners, affordable housing expense is calculated at 35%, consistent with many first-time homebuyer programs and lender standards.



## **b. Occupancy Standards**

Income definitions for affordable housing assistance programs vary by household size, requiring the definition of occupancy standards (the number of persons per unit) for each unit size in order to calculate affordable rents and affordable owner housing costs. For the purposes of this analysis, affordable housing cost for the multifamily rental prototype is based on an occupancy standard of 1.5 persons per bedroom or, for example, 3 persons in a two-bedroom unit. This definition is consistent with the most valuable leverage sources for affordable rental housing: the Low Income Housing Tax Credit and tax-exempt bond programs. For the single-family ownership prototypes, affordable housing cost is calculated based on an occupancy standard of one person per bedroom plus one or, for example, 4 persons in a three-bedroom unit.

## **c. Utility Allowances**

Affordable net rents are calculated by subtracting allowances for the utilities paid directly by the tenants from the gross rent (or renter affordable housing cost).

For purposes of the renter gap analysis, utility allowances were incorporated. These allowances were effective October 1, 2013 from the Richmond Redevelopment and Housing Authority (RRHA).

## **d. Affordable Rents and Sales Prices**

**Table 2** summarizes affordable monthly net rents by income level and unit bedroom count.

**Table 3** shows affordable home prices by income level and unit bedroom count.

<b>Table 2</b> <b>Affordable Net Rents by Percent of Area Median Income and Unit Bedroom Count<sup>1</sup></b> <b>City of Richmond Housing Affordability Gap Analysis</b> <b>2014</b>					
<b>Unit Size</b>	<b>Extremely Low 30% AMI</b>	<b>Very Low 50% AMI</b>	<b>Low 60% AMI</b>	<b>Low 80% AMI</b>	<b>Moderate 100% AMI</b>
1 Bedroom	\$303	\$576	\$713	\$987	\$1,260
2 Bedrooms	\$362	\$690	\$854	\$1,182	\$1,510
3 Bedrooms	\$420	\$799	\$988	\$1,367	\$1,746

<sup>1</sup>U.S. Department of Housing and Urban Development published 2014 very low income limits, adjusted proportionally for percentage of AMI category. Gross rents are calculated assuming an occupancy standard of 1.5 persons per bedroom. Net rents are calculated assuming 30% of gross income spent on rent and then deducting RRHA multifamily apartment utility allowances of \$107 for a one-bedroom unit; \$130 for a two-bedroom unit, and \$149 for a three-bedroom unit. Sources: HUD, RRHA, DRA.

<b>Table 3</b> <b>Affordable Home Prices by Percent of Area Median Income and Unit Bedroom Count<sup>1</sup></b> <b>City of Richmond Housing Affordability Gap Analysis</b> <b>2014</b>				
<b>Unit Size</b>	<b>Very Low Income 50% AMI</b>	<b>Low Income 80% AMI</b>	<b>Moderate Income 100% AMI</b>	<b>Moderate Income 120% AMI</b>
1 Bedroom	\$116,000	\$192,000	\$243,000	\$294,000
2 Bedrooms	\$132,000	\$217,000	\$275,000	\$332,000
3 Bedrooms	\$148,000	\$243,000	\$306,000	\$370,000
4 Bedrooms	\$160,000	\$263,000	\$332,000	\$400,000

<sup>1</sup>Affordable mortgage principal and interest calculated by deducting the following from affordable owner monthly housing cost: annual property taxes and assessments at 1.2% of affordable home price and property insurance of \$75 per month. Affordable mortgage calculated assuming 5% owner downpayment, 6.0% fixed mortgage interest rate and 30-year mortgage term and amortization. Source: DRA.

## B. Summary of Existing Housing Needs

This section summarizes key measures of affordable housing need in the City of Richmond, identifies the existing inventory of subsidized rental housing, and assesses the current affordability of existing market rate housing options in the City. More detail on demographics, existing housing needs and market conditions is provided under separate cover in **Appendix A: Housing Needs and Market Assessment**.

### 1. Household Income Distribution

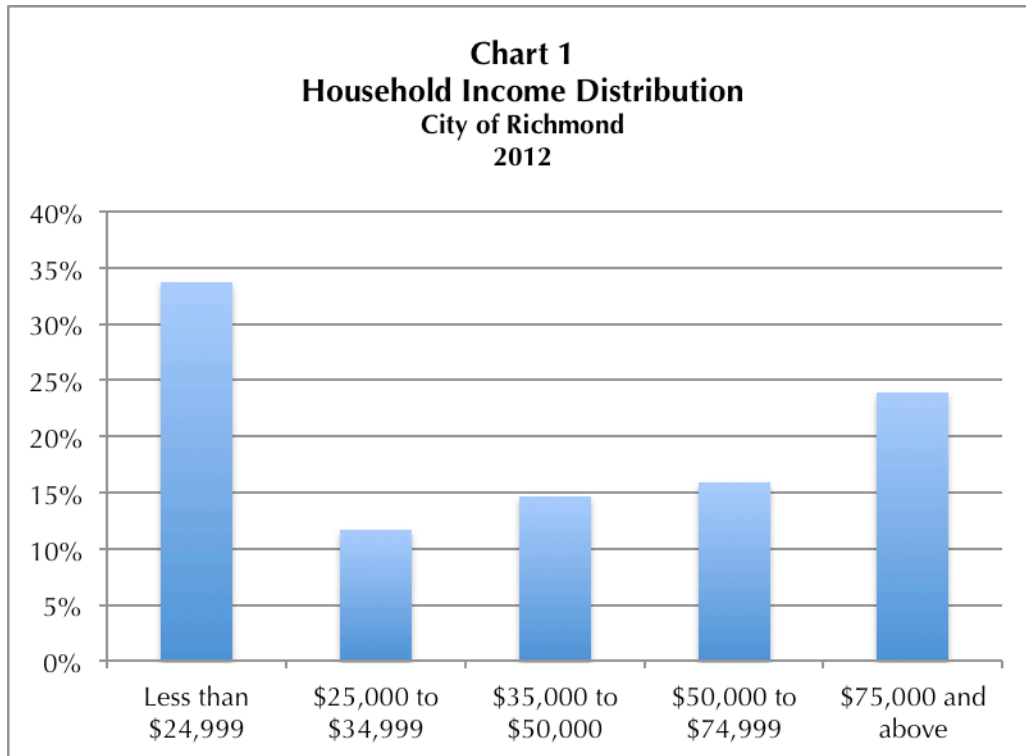
The need for affordable housing in Richmond is driven by the household incomes of its households. **Table 4** and **Chart 1** summarize the income distribution of Richmond households.

Almost 35% of the City's households earn less than \$24,999 per year, which equals only 34% of the 2014 AMI for the City of Richmond (\$72,900) and supports an affordable rent of only \$500 per month for a two-bedroom unit.

<b>Annual Household Income</b>	<b>Number of Households</b>	<b>Percent of Households</b>	<b>Cumulative Percent</b>
Less than \$15,000	17,177	21%	21%
\$15,000 to \$24,999	10,644	13%	34%
\$25,000 to \$34,999	9,597	11%	45%
\$35,000 to \$49,999	12,102	15%	60%
\$50,000 to \$74,999	13,124	16%	76%
\$75,000 to \$99,999	7,675	9%	85%
\$100,000 to \$149,000	6,274	8%	93%
\$150,000 to \$199,999	2,455	3%	96%
\$200,000 or More	3,320	4%	100%
<b>Total</b>	<b>82,368</b>	<b>100%</b>	<b>--</b>

Sources: ACS 5-year estimates, DRA.





## 2. Overpayment

According to HUD’s standard, households paying more than 30% of their gross income on housing are considered to be cost-burdened (paying more than they can afford for housing). Households paying greater than this amount have less income remaining for other necessities such as food, clothing, utilities and health care. The problem is most severe for families with limited incomes.

**Table 5** shows the number of cost-burdened renter and owner households by income level paying more than 30% of gross income on housing, as well as those paying more than 50% of gross income on housing, based on data from the City’s 2013 Consolidated Plan. According to 2009 estimates, a total of 20,589 renter households in Richmond, or 48% of all renters, paid more than 30% of their income on housing. Of these households, 11,109 households, or 26% of all renter households, paid more than 50% of their income on housing.

Owner overpayment may be considered a choice, as some households choose to pay a higher percentage of their income for the benefits and security of owning a home. The 30% standard is considered low for owners. Lenders typically allow

owners to pay 35% or more of gross income for mortgage principal, interest, taxes and insurance. In 2009, 4,995 owner households, or 13% of all owners, paid more than 50% of gross income on housing.

Homeowners with very limited incomes may need assistance with home maintenance and repairs to stay in their homes for the long term.

<b>Table 5</b>						
<b>Households Paying More Than 30% and More than 50% of Gross Income on Housing by Income Level<sup>1</sup></b>						
<b>City of Richmond</b>						
<b>2009</b>						
<b>Income Level: Tenure:</b>	<b>Less than 30% AMI</b>		<b>&gt;30% to 50% AMI</b>		<b>&gt;50% to 80% AMI</b>	
	<b>Renters</b>	<b>Owners</b>	<b>Renters</b>	<b>Owners</b>	<b>Renters</b>	<b>Owners</b>
More Than 30% of Income on Housing	10,195	3,275	6,800	2,530	3,594	9,065
% of Total Households <sup>2</sup>	24%	8%	16%	7%	8%	24%
More Than 50% of Income on Housing	8,390	2,595	2,395	1,450	324	950
% of Total Households <sup>2</sup>	20%	7%	6%	4%	1%	2%

<sup>1</sup>Data from the 2005 to 2009 Comprehensive Housing Affordability Strategy (CHAS), as reported in the 2013 Consolidated Plan.

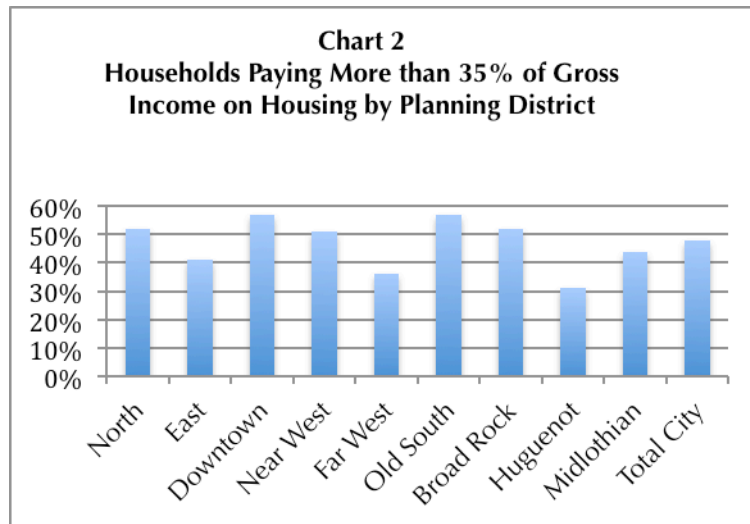
<sup>2</sup>Percent of total renter and owner households based on a total of 42,837 renter households and 38,393 owner households in the City in 2009.

Sources: "FY 2013-2015 Consolidated Plan" City of Richmond, August 1, 2013; DRA.

**Table 6** shows the number and percentage of cost-burdened renter households paying more than 35% of gross income on housing by Planning District in the City of Richmond. **Chart 2** graphically illustrates the percentage of cost-burdened households paying more than 35% of gross income on rent by Planning District.

<b>Table 6</b> <b>Renter Households Paying 35% or More of Income</b> <b>on Housing by Planning District</b> City of Richmond 2012		
Planning District	Number of HH	% of Renter HH
North	3,589	52%
East	2,814	41%
Downtown	1,139	57%
Near West	4,982	51%
Far West	500	36%
Old South	2,870	57%
Broad Rock	2,159	52%
Huguenot	454	31%
Midlothian	3,202	44%
Total City	21,709	48%

Sources: ACS 5-Year estimate; AREA, Inc.; DRA.



### 3. Substandard Housing Conditions

The City of Richmond’s 2013 Consolidated Plan provides estimates of substandard housing units lacking complete plumbing or kitchen facilities. The estimated numbers of households living in substandard housing by income level in 2009 are shown in **Table 7**. Just 2% of Richmond households live in housing units lacking complete plumbing or kitchen facilities. However, this statistic does not include the many vacant and blighted housing units in Richmond that are in need of major rehabilitation. Data on the number of such units is limited.

<b>Table 7</b> <b>Households Living in Substandard Housing Lacking Complete Plumbing or Kitchen Facilities<sup>1</sup></b> <b>City of Richmond</b> <b>2009</b>						
Income Level:	Less than 30% AMI		>30% to 50% AMI		>50% to 80% AMI	
	Renters	Owners	Renters	Owners	Renters	Owners
Households Living in Substandard Housing <sup>1</sup>	575	20	115	0	90	60
% of Total Households <sup>2</sup>	1.3%	0.0%	0.3%	0.0%	0.2%	0.2%

<sup>1</sup>Number of households living in substandard housing lacking complete plumbing or kitchen facilities. Data from the 2005 to 2009 Comprehensive Housing Affordability Strategy (CHAS), as reported in the 2013 Consolidated Plan.

<sup>2</sup>Percent of total renter and owner households based on a total of 42,837 renter households and 38,393 owner households in the City in 2009.

Sources: “FY 2013-2015 Consolidated Plan” City of Richmond, August 1, 2013; DRA.

### 4. Overcrowding

HUD defines overcrowding, for the purposes of the U.S. Census, as more than one person per room, excluding bathrooms and kitchens. Overcrowding is often a symptom of housing unaffordability, as households double up or fit into smaller units to reduce housing costs. As shown in **Table 8**, based on 2009 estimates from the City’s 2013 Consolidated Plan, the incidence of overcrowding in the City was relatively low. A total of 929 very low and low income renter households were overcrowded according to the HUD definition, representing 2.2% of all renter households. Only 155 owner households were overcrowded, representing 0.4% of all owner households in the City. About 164 of these renter households and

40 owner households were severely overcrowded, based on HUD’s standard for severe overcrowding of 1.5 people per room.

It should be noted that there are no federal legal standards for overcrowding. In a reasonable effort to allocate scarce financial resources for affordable housing, housing programs use occupancy standards, which typically allow for up to “two persons per bedroom plus one” to occupy an affordable housing unit (e.g., five persons in a two-bedroom unit).

<b>Income Level:</b>	<b>Less than 30% AMI</b>		<b>&gt;30% to 50% AMI</b>		<b>&gt;50% to 80% AMI</b>	
<b>Tenure:</b>	<b>Renters</b>	<b>Owners</b>	<b>Renters</b>	<b>Owners</b>	<b>Renters</b>	<b>Owners</b>
Single-Family Households	405	0	105	80	194	30
Multiple-Family or Non-Family Households	80	0	90	10	55	35
Total	485	0	195	90	249	65
% of Total Households <sup>2</sup>	1.1%	0.0%	0.5%	0.2%	0.6%	0.2%

<sup>1</sup>Data from the 2005 to 2009 Comprehensive Housing Affordability Strategy (CHAS), as reported in the 2013 Consolidated Plan.

<sup>2</sup>Percent of total renter and owner households based on a total of 42,837 renter households and 38,393 owner households in the City in 2009.

Sources: “FY 2013-2015 Consolidated Plan” City of Richmond, August 1, 2013; DRA.

## 5. Homeless Issues

The City of Richmond’s 2013 Consolidated Plan contains estimates of the City’s homeless population based on the data collected by Homeward, Inc. in January, 2013. A total of 815 persons in households with only adults experience homelessness on a given night, of which 645, or nearly 80%, receive shelter. All of the approximately 184 persons in households with adults and children experiencing homelessness receive shelter. Veterans account for about 139 of the homeless persons on a given night with shelter and 21 of those without shelter.

## C. Existing Affordable Housing Supply

This section summarizes available data on existing rent- and income-restricted rental housing in the City of Richmond. Data on public housing assets and other federally subsidized housing in Richmond is summarized below.

### 1. Public Housing

The Richmond Redevelopment and Housing Authority (RRHA) serves as the Public Housing Authority (PHA) for the City of Richmond. RRHA currently owns approximately 3,900 public housing units, as summarized in **Table 9**. Detail on this inventory is provided in **Appendix A2**. Nearly all of the public housing units (over 96%) were built prior to 1984 and therefore are at least 30 years old. At least two-thirds, or 2,575 units, were built prior to 1964 and are more than 50 years old.

In 1997 RRHA was awarded a HOPE VI Revitalization Grant of approximately \$27.0 million to demolish 440 public housing units in the Blackwell community and replace them with new apartments and single-family homes. To date, the agency has not completed construction of all HUD planned units.

Beginning in 2008, RRHA embarked on the Dove Court revitalization program, involving demolition of Dove Court and the vacant Carrington/Northridge property, which had a combined site area of 11.5 acres. New housing constructed in place of the prior public housing includes one-, two- and three-bedroom apartments and townhomes at Highland Grove apartments.

RRHA is currently in the predevelopment stage of demolishing and replacing the 504 public housing units at Creighton Court and the 447 units at Whitcomb Court. The Agency has entered into an agreement with The Community Builders, Inc. (TCB) out of Boston to serve as master developer for this project.

**Table 9**  
**Summary of Public Housing Inventory**  
**Richmond Redevelopment and Housing Authority**  
**December 31, 2013**

<b>Property Name</b>	<b>Year Built</b>	<b>Number of Units</b>	<b>Family or Senior</b>
Gilpin Court	1942	781	Family
Hillside Court	1952	402	Family
Creighton Court	1952	504	Family
Whitcomb Court	1958	441	Family
Fairfield Court	1958	447	Family
Mosby Court	1962/1970	458	Family
Bainbridge	1971	18	Family
Overlook/Mimosa	1976	10	Family
Afton Avenue	1980	40	Family
Fulton	1980	64	Family
Randolph Apartments	1984	52	Family
Oscar E. Stovall Apartments	1986	30	Family
Greenwalk	2008	20	Family
Small Used Houses (2)	Various	75	Family
<b>Subtotal Family</b>		<b>3,342</b>	
Frederic A. Fay Towers	1971	200	Senior
1200 Decatur	1971	24	Senior
Fourth Avenue	1978	105	Senior
Stonewall	1978	70	Senior
700 S. Lombardy	1978	75	Senior
Old Brook Circle	1978	25	Senior
Melvin C. Fox Manor	1986	50	Senior
<b>Subtotal Senior</b>		<b>549</b>	
<b>Total</b>		<b>3,891</b>	

Source: Richmond Redevelopment and Housing Authority, "Richmond Redevelopment and Housing Authority Profiles," statistics as of 12/31/13.

## 2. Other Federally Subsidized Housing

The National Housing Preservation Database (NHPD), created by the Public and Affordable Housing Research Corporation (PAHRC) and the National Low Income Housing Coalition (NLIHC) incorporates all available data on federally subsidized affordable housing properties, including nine separate funding categories.<sup>1</sup>

**Table 10** summarizes federally subsidized properties contained in the NHPD for Richmond, including those with use restrictions expiring before December 31, 2014. This inventory is detailed in **Appendix A2**. The number of units is broken out for the two major funding sources of existing federally subsidized housing in Richmond: HUD Project-Based Rental Assistance (PBRA) programs<sup>2</sup> and Low Income Housing Tax Credits (LIHTC).

<b>Funding Source</b>	<b>Expiring 2014 to 2019</b>	<b>Expiring 2020 to 2024</b>	<b>Total</b>
LIHTC <sup>1</sup>	3,037	3,895	6,932
HUD PBRA <sup>2</sup>	2,454	754	3,208
Other <sup>3</sup>	554	175	729
<b>Total</b>	<b>6,045</b>	<b>4,824</b>	<b>10,869</b>

<sup>1</sup>Low Income Housing Tax Credits.

<sup>2</sup>HUD Project-Based Rental Assistance, including Project-Based Section 8, RAP, Section 202 and Section 811

<sup>3</sup>Includes HUD insured projects (Section 236, Section 221(d)(3)BMIR, non-subsidized HUD insured), Section 202 Direct Loans, HOME, Rural Dev. 515, Rural Dev. 538, and State HFA 236.

Sources: National Housing Preservation Database, August, 2014; DRA.

<sup>1</sup> Including Project-Based Rental Assistance, HUD Insurance, Section 202 Direct Loans, LIHTC, HOME, Rural Dev. 515, Rural Dev. 538, Public Housing and State HFA 236.

<sup>2</sup> Includes Project-Based Section 8, RAP, Section 202 and Section 811.



## D. Market Rents and Home Prices

### 1. Comparison of Market and Affordable Rents and Sales Prices

#### a. Comparison of Market and Affordable Rents

**Table 11** compares affordable rents by income level with average market rents in the City of Richmond. Affordable rents for very low income households are well below average apartment rents and single-family rents. Average apartment rents exceed very low income affordable rents by 39% for a one-bedroom unit and 31% for a two-bedroom unit.

The rent affordable to households at 60% of AMI is about 10% below average market rent for one-bedroom units and 5% below market rent for two-bedroom units. Rents affordable to moderate income households substantially exceed average apartment rents.

<b>Table 11</b> <b>Comparison of Average Market and Affordable Rents</b> City of Richmond 2014					
	Average Affordable Rent				Average Market Apartment Rent
	Very Low Income 50% AMI	Low Income 60% AMI	Low Income 80% AMI	Moderate Income 100% AMI	
1 Bedroom	\$576	\$713	\$987	\$1,260	\$800
2 Bedroom	\$690	\$854	\$1,182	\$1,510	\$905
3 Bedroom	\$799	\$988	\$1,367	\$1,746	N/A

Sources: Dataquick, DRA.

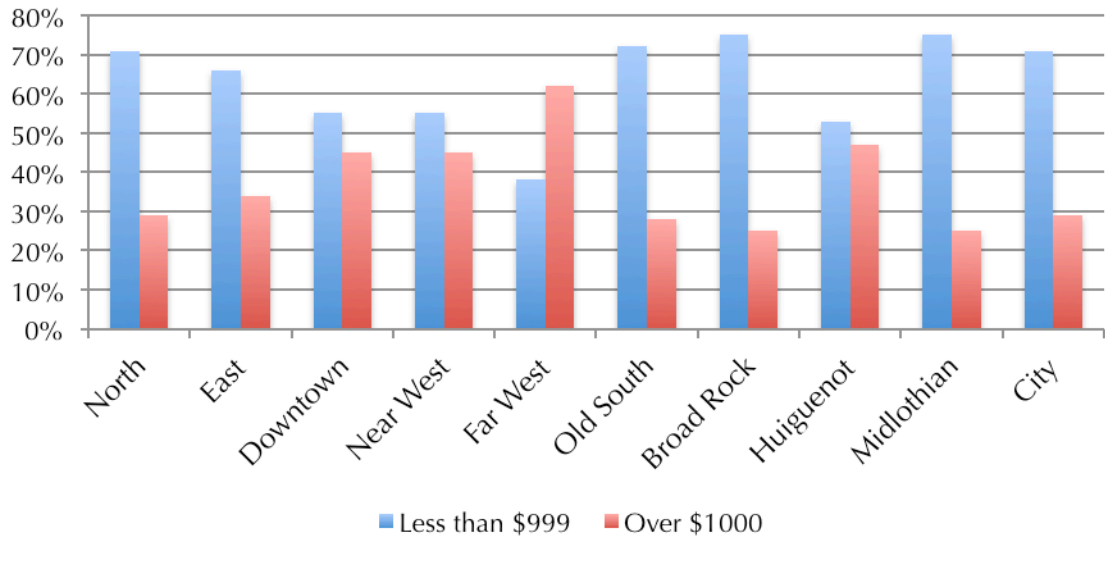
**Table 12** presents the distribution of rental housing units by the amount of rent paid, and shows the income categories to which those units are affordable. **Chart 3** displays the distribution of rental units by Planning District with rents above and below \$1,000 per month.

**Table 12**  
**Distribution of Rental Housing Units by Rent Paid**  
 City of Richmond  
 2012

Monthly Rent Category	Affordable to:	Number of Units	Percent of Units	Cumulative Units	Cumulative Percent
Less than \$500	Very Low	6,897	15%	6,897	15%
\$500 to \$749	Very Low	9,196	20%	16,093	35%
\$750 to \$999	Very Low/Low	13,794	30%	29,886	65%
\$1,000 to \$1,499	Low/Moderate	12,414	27%	42,301	92%
\$1,500 or More	Moderate+	3,678	8%	45,979	100%
<b>Total</b>		<b>45,979</b>	<b>100%</b>		

Sources: ACS 5-Year estimates; AREA, Inc.; DRA.

**Chart 3**  
**Percent of Units with Rents Above and Below \$1,000 Per Month**  
 City of Richmond Planning Districts  
 2012



## b. Comparison of Market and Affordable Sales Prices

**Table 13** compares affordable home sales prices with the price distribution of home sales in the City in the first five months of 2014. Approximately 42% of three-bedroom homes were affordable to very low income households. About 64% of three-bedroom homes were sold at prices affordable to low-income households, while 80% of them are affordable to moderate income households at 100% of AMI.

While there is a substantial amount of housing sold at affordable prices in Richmond, these statistics do not reflect the condition of the homes sold. The home sales data include sales of vacant or blighted units in need of substantial rehabilitation, or even demolition and new construction, before they can provide decent housing for Richmond residents.

Unit Bedroom Count	Very Low Income 50% AMI		Low Income 80% AMI		Moderate Income 100% AMI	
	Affordable Sales Price	% of Sales Below Afford. Price <sup>2</sup>	Affordable Sales Price	% of Sales Below Afford. Price <sup>2</sup>	Affordable Sales Price	% of Sales Below Afford. Price <sup>2</sup>
2 BR	\$132,000	77%	\$217,000	42%	\$275,000	26%
3 BR	\$148,000	84%	\$243,000	64%	\$306,000	42%
4 BR	\$160,000	90%	\$263,000	80%	\$332,000	52%

<sup>1</sup>Based on price distribution of home sales by unit bedroom count in the City of Richmond for January 1, 2014 through May 30, 2014. Based on sales data for 49 two-bedroom units, 147 three-bedroom units and 62 four-bedroom units.

<sup>2</sup>Equals estimated percent of total home sales (including new and existing homes) by unit bedroom count sold at or below affordable price. Percentages by income level are cumulative.

Sources: Dataquick Information Systems, DRA.

## E. Subsidy Required to Develop Affordable Housing

DRA prepared an affordability gap analysis to estimate the capital subsidy required to develop housing affordable to families at a range of income levels. As used in this Affordable Housing Strategy, the term “affordability gap” means the difference between the amount a household at a specified income level can afford to pay toward housing and the actual development cost of a typical housing unit. The affordability gap represents the estimated amount of subsidy required from local or non-local resources to make development of affordable housing in Richmond feasible. The detailed gap analysis is presented in **Appendix B**.

DRA examined the estimated subsidy requirements, or affordability gaps, for four housing prototypes:

- Prototype #1:** Shell acquisition and rehabilitation of an existing vacant or blighted three-bedroom single-family home.
- Prototype #2:** New construction of three-bedroom single-family home on an infill lot or small tract;
- Prototype #3:** New construction of an 80-unit apartment property; and
- Prototype #4:** Rehabilitation of an existing 47-unit apartment property.

**Table 14** summarizes the estimated average per unit total development cost by prototype.

**Table 15** summarizes estimated subsidy requirements by income level, for the two single-family owner housing prototypes analyzed in the gap analysis. Gaps are shown under low, middle and high development cost scenarios based on sales prices that are affordable to very low income and low income homebuyers. It also shows the gaps between estimated development costs and a range of market prices in Richmond’s neighborhoods. Where total development costs exceed market prices for the finished product, there is a “feasibility gap” as well as, or instead of, an “affordability gap” on the unit.

For the renter prototype, we first calculate the gaps assuming market rate development, and then compare that to the average per unit gap after the use of 9 Percent Low Income Housing Tax Credits or 4 Percent tax credits and tax-exempt bonds to demonstrate the economic value of those leveraged financing sources. **Table 16** shows estimated per unit subsidy requirements assuming no leverage, and with 4 Percent and 9 Percent tax credits.

<b>Table 14</b> <b>Summary of Average Per Unit Development Costs by Prototype</b> <b>Richmond Affordability Gap Analysis</b> <b>2014</b>				
	<b>Prototype #1</b> <b>Single-Family</b> <b>Acquisition and</b> <b>Rehabilitation<sup>1</sup></b>	<b>Prototype #2</b> <b>Single-Family</b> <b>Infill New</b> <b>Construction</b>	<b>Prototype #3</b> <b>New</b> <b>Construction</b> <b>Apartment</b>	<b>Prototype #4</b> <b>Rehabilitated</b> <b>Apartment</b>
<b>Multifamily</b>	N/A	N/A	\$151,000	\$85,000
<b>Single-Family</b>				
Low Cost Scenario	\$218,000	\$183,000	N/A	N/A
Middle Cost	\$249,000	\$211,000	N/A	N/A
Scenario	\$279,000	\$234,000	N/A	N/A
High Cost Scenario				

N/A = not applicable.

Source: DRA.

<b>Table 15</b> <b>Summary of Per Unit Subsidy Requirements</b> <b>Owner Housing Prototypes</b> <b>City of Richmond</b> <b>2014</b>			
	<b>Very Low Income</b> <b>50% AMI</b>	<b>Low Income</b> <b>80% AMI</b>	<b>Market</b>
<b>Home Price</b>	\$147,500	\$242,800	\$136,000 to \$181,000
<b>Per Unit Subsidy Required</b>			
<b>Single-Family Acquisition and Rehabilitation</b>			
Low Scenario	\$70,500	\$0	\$82,000
Middle Scenario	\$101,500	\$6,200	\$90,500
High Scenario	\$131,500	\$36,200	\$98,000
<b>Single-Family New Construction</b>			
Low Scenario	\$35,500	\$0	\$47,000
Middle Scenario	\$63,500	\$0	\$40,000
High Scenario	\$86,500	\$0	\$33,000

Source: DRA.

<sup>1</sup> Assumes shell rehabilitation of vacant/blighted unit.

<b>Table 16</b> <b>Summary of Per Unit Subsidy Requirements</b> <b>Renter Housing Prototypes With and Without Tax Credits</b> <b>City of Richmond</b> <b>2014</b>			
<b>Housing Prototype</b>	<b>No Leverage</b>	<b>4% Tax Credits with Tax-Exempt Bonds</b>	<b>9% Tax Credits</b>
New Construction Rental Apartment	\$93,000	\$30,000	\$2,000
Rehabilitated Rental Apartment	\$44,800	\$13,300	\$2,300

Source: DRA.

## F. Existing Resources for Affordable Housing

DRA reviewed affordable housing resources currently available to the City of Richmond from federal, state and local housing programs. Estimated revenues from these sources are summarized in **Table 17**. Many of the HUD sources are targeted for specific types of affordable housing programs. A more detailed description is found in **Appendix C: Existing Revenue Sources for Housing**.

<b>Table 17</b> <b>Existing Resources for Housing</b> <b>City of Richmond</b> <b>2014 and 2015 (Proposed)</b>			
	<b>Source (Type)</b>	<b>2014</b>	<b>2015 (Proposed)</b>
CDBG <sup>1</sup>	HUD (Federal)	\$2,936,031	\$3,974,572
HOME <sup>2</sup>	HUD (Federal)	\$804,045	\$1,103,415
HOPWA <sup>3</sup>	HUD (Federal)	\$668,368	\$1,078,026
NSP <sup>4</sup>	HUD (Federal)	\$2,300,000	\$2,300,000
ESG <sup>5</sup>	HUD (Federal)	\$285,378	\$271,311
Richmond Housing Trust Fund	(Local)	\$250,000	\$1,000,000

<sup>1</sup>Community Development Block Grant

<sup>2</sup>HOME Investment Partnership Program

<sup>3</sup>Housing Opportunities for Persons with AIDS

<sup>4</sup>Neighborhood Stabilization Program

<sup>5</sup>Emergency Shelter Grants

Sources: City of Richmond 2015 Biennial Fiscal Plan, DRA.

## G. Affordable Housing Trust Fund Revenue Options

DRA reviewed revenue sources prospectively available to fund the City's Affordable Housing Trust Fund (AHTF) on an ongoing annual basis. For purposes of this analysis, the term "revenue source" means funds allocated to the AHTF that the AHTF in turn loans or grants to support the creation or preservation of affordable housing. The AHTF may also use such funds, in whole or in part, to pay debt service on bonds, the proceeds of which AHTF would use to invest in affordable housing.

In considering AHTF revenue options, the City may choose among three primary options: (1) create a dedicated revenue stream from specified taxes and fees, (2) support the AHTF from annual appropriations out of its general fund, or (3) utilize a combination of options 1 and 2 above. If the AHTF is supported as a General Fund expenditure, then the City may not feel that it is necessary or appropriate to identify specific AHTF sources of revenue. However, DRA's revenue analysis is valuable to the City, as it identifies new revenue options to support higher contribution levels.

An advantage of a dedicated revenue stream is that it provides better assurances of long-term funding availability in comparison to general fund support. Dedicated funding would make the AHTF less vulnerable to the uncertainties of annual appropriations, although, depending on the funding source, there may still be significant year-to-year fluctuations in funding amounts.

**Table 18** summarizes revenue estimates for revenue sources prospectively available to capitalize the AHTF on an ongoing, annual basis, as well as advantages and disadvantages of each source. Virginia is a Dillon Rule state, giving the State legislature jurisdiction over local taxing powers, and prohibiting a local government from levying a new tax or increasing an existing tax unless it has the expressed authority to do so under State law. A number of taxes and fees are at their caps and therefore cannot be increased to fund affordable housing. These are not included in Table 18. A detailed analysis of all revenue sources reviewed is provided in **Appendix D: Affordable Housing Trust Fund: Revenue Options Analysis**.

<b>Revenue Source</b>	<b>Revenue Increase Projections</b>	<b>Advantages</b>	<b>Disadvantages</b>
1. Real Property Taxes	\$1.0 million- \$3.8 million		City's Current tax rate is highest among comparable jurisdictions.
1.1. Expiring Rehabilitation Property Tax Exemptions	Housing allocation based on 1/3 share of increment: 2015: \$0.2 million 2020: \$3.7 million 2022: \$5.6 million	Significant revenue after 6 years. Does not require rate increase.	Proposed ordinance shares revenue with education and transit. Revenues escalate over time, with small inflows in early years, especially if housing receives 1/3 share.
2. Personal Property Tax On Vehicles	\$2.0 million- \$3.3 million	Nominal rate is less than statewide median, but effective rate is slightly higher than median.	
3. Machinery & Tools Tax	\$1.5 million- \$3.1 million		Limited revenue.
4. Consumer Utility Taxes	NA		Residential rates are at the state max. Existing rates appear high relative to comparable jurisdictions.
5. Prepared Food Tax	\$2.5 million- \$5.0 million		Current rate is higher than all comps except Norfolk.
6. Lodging (Hotel) Tax	\$0.9 million \$1.7 million		Limited revenue. Potential restrictions related to obligation to support Richmond Convention Center.
7. Business License Fees	NA		Limited revenue as most fees are at maximum rate allowed by the State.
8. Vehicle License Fee	\$0.7 million \$2.1 million		Limited revenue.
9. Cigarette and Tobacco Tax	\$4.1 million \$6.7 million	Significant revenue potential. All comps assess tax and it is widely used throughout State.	
10. Inclusionary Housing In-Lieu Fees	NA	Funds must be used for affordable housing	Limited and uneven revenue.
11. Sale of City-Owned Land	NA		Limited and uneven revenue.
12. Reserve Funds	Available balances, if any, TBD	Possible AHTF one-time "start up" capital. Asset renewal fund may be an appropriate funding source for RRHA properties	

Source: DRA





## II. Strategy Recommendations

This section summarizes DRA's recommendations for the City's Comprehensive Affordable Housing Strategy (the "Strategy"), including affordable housing goals, functions, organization, staff qualifications and program elements. These recommendations are based on DRA's assessment of:

- Housing needs;
- Market conditions;
- Housing subsidy requirements;
- Local resources and assets;
- Evaluation of potential new financing resources for housing; and
- Review of the current structure of housing and related functions in the City, based on analysis of available data and interviews with City staff and local stakeholders, including local nonprofit housing development corporations and private for-profit developers.

### A. Principles and Goals

#### 1. Guiding Principles

To help clarify the basis of DRA's recommendations for the Framework, Goals and Program Elements of the Strategy, we suggest several principles for a sound Affordable Housing Strategy:

##### a. Targeting Those Most in Need

The Affordable Housing Strategy should target resources toward those households most in need of assistance.

##### b. Preserving Assisted Housing

Given the scarcity of City and other public resources, affordable housing that benefits from City financial assistance should be preserved for the longest feasible term. Continuing escalation in land and housing costs will make housing

increasingly unaffordable to low-wage workers. When substantial financial assistance is involved in its development or preservation, affordable housing should be seen as a permanent community resource, much like parks, cultural facilities and other community amenities. In this fashion, while individual residents of City-assisted housing may move on to market rate housing as their earning potential and financial condition improve, the affordable housing units will remain affordable to new occupants through the units' useful economic life.

**c. Sound Investment and Financial Management of City Resources Through Leveraging**

The City's Affordable Housing Trust Fund should be managed in a sound and fiscally responsible manner by leveraging non-City public and private sector investments in affordable housing to the maximum degree feasible. State and federal subsidies should be combined with both construction and long-term finance capital from private lenders to the maximum extent sound underwriting allows.

**d. Efficient and Flexible Program Design**

The administration of the Housing Trust Fund should assure efficiency for private sector project sponsors, both for-profit and nonprofit. Administrative overhead should be minimized. Flexibility and creativity should be maximized. The Trust Fund should be able to take advantage of unforeseen opportunities as they arise. The City's program elements should be responsive to changing affordable housing needs community-wide.

**e. Productive Investment**

Trust Fund resources should be used to encourage productive investment in Richmond, including the creation of direct and indirect employment resulting from affordable housing construction activity. In this way, affordable housing development will complement the City's economic development goals. The provision of quality affordable housing has proven to be a powerful incentive for employers to locate in a given city.

**f. Public/Private Partnerships**

The Trust Fund should foster the emergence of a wide variety of public-private partnerships in the provision of affordable housing. Such partnerships may include joint ventures between for-profit and nonprofit housing developers, the

involvement of private sector lenders in construction, bridge and permanent financing, and corporate equity investments made in affordable housing projects in exchange for federal tax credits.

## **2. Framework/Best Practices**

Several issues provide the framework within which the City's Affordable Housing Strategy and programs should be developed. This framework is based on current best practices in affordable housing across the country.

### **a. Density**

Providing additional density in exchange for the development of affordable housing units is a widely used national practice. Currently, higher-density development, which is also more costly to build, is not economically feasible in certain locations in the City. Therefore, a widespread density bonus program needs to be examined fully before any serious consideration can be undertaken.

However, the City should remain responsive to requests for additional density from developers when they occur, with the ability to provide additional density in exchange for affordable housing units.

The City's planning and zoning efforts for major commercial corridors and areas adjacent to transit should take advantage of density that is currently feasible and provide for increased density in the future as market conditions change.

### **b. Term of Affordability**

Projects assisted with the Housing Trust Fund should be required to preserve affordability for the longest feasible term. Techniques the City may use to assure such long-term affordability include recorded rent and resale restrictions, loan agreements, and ground leases.

To the extent the City provides financial assistance to rental housing, it should preserve the authority of the City to remove the property management agent of any assisted property that experiences problems with tenant selection, mortgage delinquency, operating deficits or other issues that could cause material problems for the project and the surrounding neighborhood. Affordable housing acquisition opportunities should be structured to preserve existing neighborhood character by retarding the effects of absentee ownership and neglect.

### **c. Location**

Consistent with the Mayor's Anti-Poverty Commission Report, affordable housing should be scattered throughout the City, while simultaneously complying with the parking, design, transportation and amenity standards of the City, to create a balanced community and mix of housing types envisioned by the City's plan for growth.

The acquisition and rehabilitation of existing housing and infill development on vacant lots should be done strategically to take advantage of market opportunities and conditions, while maximizing the neighborhood revitalizing effects of affordable housing investment.

### **d. Mixed-Use and Mixed-Income Projects**

Supporting mixed-use and mixed-income housing, through zoning and other incentives, can also contribute to achieving a balanced community and diversity of housing types and prices in the City.

### **e. Energy Efficiency**

Affordable housing should be built or rehabilitated to take advantage of cost-effective energy efficiency techniques to the greatest extent feasible.

This can include site planning for maximum passive solar advantage, use of wall and ceiling insulation, use of energy efficient appliances and, for rental housing, consideration of long-term operating cost savings to balance higher installation costs of energy-using systems.

### **f. Maximize Assistance**

The City should seek to serve the greatest number of people possible with the Housing Trust Fund, while addressing the other goals of the City's Comprehensive Affordable Housing Strategy. The gap analysis, adjusted annually as appropriate, can be used to gauge the scale of financial assistance needed for different affordable housing product types and alternative income targeting goals, and to provide the City with an estimate of the leverage the City can realistically expect to achieve from non-City sources, including federal, State and corporate funds.

### 3. Goals

Based on the above framework for affordable housing in Richmond, and housing subsidy requirements as illustrated in the affordability gap analysis, the City can develop realistic goals for the number of households that may be assisted by the City's affordable housing programs.

Establishing goals for the Comprehensive Affordable Housing Strategy hinges upon the interplay of several factors, including:

- The number of Richmond households, current and projected, that are burdened by the cost they pay for their housing, and the number of substandard units requiring rehabilitation;
- The cost of constructing or rehabilitating housing;
- The amount of money and other resources (i.e., land) the City has available to provide housing assistance to these households; and
- The amount of state, federal and/or private sector subsidy capital the City is able to leverage with its own funds in order to adequately provide housing assistance for the City's residents.

The Housing Needs Assessment conducted as part of the Affordable Housing Strategy, and incorporated into an Appendix to this report, provides a detailed examination of current and projected housing needs in Richmond. Cost-burdened households are those paying too much for housing, defined as households paying more than 30% of gross household income for housing<sup>1</sup>. Severely cost-burdened households are those paying more than 50% of gross income for housing.

According to Richmond's five-year ACS for 2012, there are nearly 8,400 renter households, representing one in five households in Richmond, that earn less than 30% of AMI (\$21,900 per year for a family of four in 2014) and pay more than 50% of their gross income on housing (rent plus utilities). These households represent the most severe housing needs for the City.

There are also numerous vacant housing units and lots in the City that create a blight on their neighborhoods. The Richmond Redevelopment and Housing

---

<sup>1</sup> Housing costs defined by U.S. Census to include rent plus utilities for renters; principal, interest, taxes, insurance and utilities for owners.

Agency (RRHA) owns more than 400 such properties and there are approximately 4,000 vacant, tax-delinquent properties in the City, many of which contain blighted single-family units.

The City's existing financial resources for affordable housing are limited. The Richmond Housing Trust Fund currently has a balance of approximately \$1 million. The City expects to receive approximately \$8.7 million in HUD funds in FY 2015. This includes \$1.1 million in HOME funds and \$2.3 million in Neighborhood Stabilization Program (NSP) funds that can be used for a range of housing assistance programs. It also includes \$1.08 million in Housing Opportunity for Persons with AIDS (HOPWA) funds and \$271,000 in Emergency Shelter Grant (ESG) funds, which have very targeted use requirements. The largest share of the City's HUD funds are from the Community Development Block Grant Program (CDBG), which can be used for a wide variety of programs benefitting low income persons in the community. In 2012, the City used only about a quarter of its CDBG funds for housing.

DRA has evaluated a wide range of potential new resources that could be dedicated to the Richmond Housing Trust Fund. DRA recommends that the City commit \$10 million or more per year over the next decade to have a meaningful housing program. These funds should be leveraged to the maximum extent possible using available State, federal, and private sector subsidy capital to fill the affordability gap on affordable housing development or preservation projects. In addition, private-sector construction and permanent financing should be secured to the extent supportable using sound underwriting practices.

DRA recommends that the City and RRHA prepare capital plans to provide precise unit production and leverage goals based on the availability of local funds for affordable housing and realistic leverage assumptions. The most important source of leveraged funds is the Low Income Housing Tax Credit Program. Historically, affordable housing projects in the City have been reasonably successful in securing allocations of tax credits. Over the five year period from 2009 to 2013, affordable housing developments in the City of Richmond were successful in securing 9 Percent tax credits for an approximate average of 250 units per year. An additional 100 units per year on average received 4 Percent tax credits and tax exempt bonds.

The City of Richmond competes for 9 percent tax credits in the Richmond MSA geographic pool, which received 11.6% of VHDA's statewide allocation in 2014. Nonprofit developers of affordable housing in Richmond are also able to compete in the statewide nonprofit pool. RRHA is eligible to compete in the local housing

authority (LHA) pool VHDA makes available statewide. Each of these two pools received 15% of VHDA's allocation in 2014.

In 2014, two Richmond projects received 9 percent tax credit allocations, one rehabilitation project in the nonprofit pool (Cary Street Preservation, 47 units) and the second a new construction project in the geographic pool (Ashe Gardens, 40 units), for a total of 87 units. A third Richmond project (77 units) was unsuccessful in receiving an allocation. The City of Richmond financially supported the Cary Street project in the amount of \$100,000 in funds, or \$2,100 per unit. The Ashe Gardens project was developed without City subsidy.

New revenues for housing will ensure that the City can provide needed subsidy to assist 9 percent tax credit applications, as needed. While the two projects receiving allocations of 9 percent tax credits in 2014 required minimal City subsidy, that is not always the case, depending upon factors such as income targeting, the tenant population and need for services, as well as individual project land and development costs. For example, recent 9 percent tax credit supportive housing project targeted to households earning less than 30% of AMI required \$38,000 per unit in City subsidy.

To the extent that competitiveness for 9 percent tax credits may be limited by the size or competitiveness of the various pools, City subsidy can also be used to subsidize 4 percent tax credits and tax-exempt bond projects. For practical purposes, the use of this program is not limited, as VHDA routinely has large amounts of unused bond authority and projects receiving bond allocations automatically receive 4 percent tax credits.

Assuming \$10 million in funds for housing annually over a ten-year period, the Trust Fund could assist the construction of approximately 3,300 new very low income rental units leveraged with tax credits (at an average per-unit subsidy of \$30,000 per unit). Limited sources are available to leverage owner housing, so the same \$10 million per year could assist the acquisition and rehabilitation of only 1,250 single-family units (at an average per unit subsidy of \$80,000 per unit) over the next decade.

The recommended program elements, described in Section C. below, include those that can potentially be implemented at the current level of local resources for housing, and those that would require a substantial increase in new revenue sources for affordable housing.

## B. Housing Functions, Organization and Qualifications

Implementation of Richmond’s Comprehensive Affordable Housing Strategy will require adequate capacity at the City to carry out the various program elements described in Section C. This section outlines key housing functions, along with staff qualifications and recommendations on organizing these functions.

### 1. Housing Functions

#### a. Housing Policy and Advocacy

A key municipal government housing function is to provide housing policy leadership. Important elements of a housing policy involve goal setting, program development, the promotion of interagency and intergovernmental collaboration, outreach with affordable housing advocacy organizations, partnerships with financial institutions, and policy advocacy on behalf of the City at the State and federal government levels. Housing policy and advocacy tasks include but are not limited to:

- Establishing annual and multiyear affordable housing investment levels and priorities, production and preservation goals;
- Promoting housing investment through administrative reforms in the areas planning, building permit and zoning approvals, permit fees and other municipal actions, disposition of City-owned land, finance and investment policy;
- Promoting targeted and coordinated investment in housing, neighborhood redevelopment, public housing transformation, transportation, infrastructure, schools and public amenities; and
- Coordinating housing affordability, development and preservation policies with the Richmond Redevelopment and Housing Authority (RRHA), and working in effective collaboration with RRHA to advance the goals of the Transformation Collaborative.

#### b. Housing Finance

Implementing a meaningful and substantial housing program to address the City’s considerable affordable housing needs will require a capital commitment by the



City of Richmond of least \$10 million per year in revenues to its Affordable Housing Trust Fund over the long-term. Given the long lead times for housing development, site assembly, public housing transformation and neighborhood revitalization, this should be a decade-plus effort. This effort will require the following housing functions to be fully organized, staffed and carried out by the City:

1. Affordable housing lending, providing loans for housing projects involving new construction and rehabilitation of existing housing, including adequate documentation of those loans through loan agreements, mortgage and security agreements, regulatory agreements (including rent and income restrictions, affordability terms, ground lease and other financing instruments).
2. Establishment of underwriting policies, criteria and processes to provide adequate protections of the City's investment in affordable housing developments, to ensure long-term financial feasibility and compliance with City goals and policies, and to avoid overcapitalization with scarce City funds. Important underwriting policies include establishing general pro forma analysis assumptions, debt coverage requirements, income and operating expense analyses, standards to assess and control development costs, developer fee policy, development team standards with regard to experience and financial capacity, general partner/developer guarantees, insurance requirements, reserve requirements, equity capital contribution requirements and more.
3. Review and monitoring of the qualifications and capacity of construction teams (architect, engineer, environmental consultant and general contractor) to ensure the appropriateness of scopes of work and the reasonableness of the construction budgets and contingencies, the sufficiency of construction completion assurances, and construction monitoring.
4. Sufficient asset management capacity to monitor the financial performance and regulatory compliance of the City's affordable housing loans and the underlying projects, identify troubled projects, and put in place work-out and other procedures to correct troubled assets.
5. Procedures and criteria for the selection of affordable housing projects to receive City funding consistent with the City's affordable housing goals, strategy and underwriting criteria.
6. Procedures and criteria for the assessment and due diligence of nonprofit and for-profit developers to ensure that the City's affordable housing development

partners have adequate experience, financial and staff capacity to develop and operate affordable housing projects subsidized with City funds.

7. Loan approval procedures, including the use of loan approval committees, and the creation of loan report templates. It is essential that housing finance and project approvals derive from established, professionally administered, publicly transparent underwriting, credit and public policy review. Projects and developers must compete and earn City financial support for the housing developments based on their merits and adherence to published City policies, credit standards and appraisal review processes.
8. Process for preparing and implementing Notices of Funds Availability (NOFAs), Request for Qualifications (RFQs) and Requests for Proposals (RFPs) to select the affordable housing projects and development team members to receive City subsidy consistent with the City's goals, underwriting criteria and due diligence standards. RFPs and RFQs are typically used when the City owns the land and/or buildings to be used for affordable housing developers, while a NOFA process is used to select among sites and projects controlled by developers to receive City funding. Each NOFA or RFP/RFQ should clearly state the City's affordable housing goals, project selection criteria, selection process, and intended execution of Exclusive Negotiating Agreements (ENAs), Development and Disposition Agreements (DDAs), loan and other agreements to secure the City's financial investment.
9. Process and criteria for responding to unsolicited proposals and requests for funding from developers to ensure that affordable housing projects selected through this manner are consistent with the City's goals, strategies, and underwriting criteria.
10. Local review of Low Income Housing Tax Credit (tax credit) projects, even when no City financial subsidy is needed.

The City should institute a housing finance function that is transparent, publicly accountable, consistent, competent and free from political influence or favoritism. This will require standardized underwriting, legal and asset management documents, procedures and reports, including:

- A loan underwriting policies and procedures manual;
- An underwriting model and operating pro forma;

- A lending committee reporting template (for purposes of presenting a proposed loan transaction before a loan committee or the City Council for review and approval);
- Loan transaction documents; and
- Asset management reporting templates.

The development of a substantial and meaningful affordable housing program in Richmond requires that the City communicate to the development community and all stakeholders that it is serious about its affordable housing program, will serve as a long-term funding partner for affordable housing development, and will organize its housing department and functions to effectively and efficiently implement the above required housing functions.

## **2. Collaboration with the Richmond Redevelopment and Housing Authority**

The Richmond Redevelopment and Housing Authority (RRHA) is a vital element in establishing an Affordable Housing Strategy for the City. As a public housing authority (PHA) and a redevelopment agency, RRHA has responsibilities that make it central to affordable housing policy in Richmond. In its PHA role RRHA is the largest single owner of affordable housing in Richmond, with approximately 3,900 public housing units, which provide housing to the poorest of the City's residents. RRHA also administers approximately 3,000 Housing Choice Vouchers, which subsidize the rents of voucher holders leasing units in privately owned rental housing. As part of its redevelopment agency function, RRHA owns over 400 vacant parcels and homes in need of rehabilitation and/or redevelopment, many of which were purchased by the City with ownership subsequently transferred to RRHA.

In addition to the basic responsibilities summarized above, RRHA has a variety of tools and resources (or potential access to resources) that can be deployed to advance the affordable housing goals of both RRHA and the City. For example, RRHA has authority and powers of property acquisition and disposition that are not available to the City and that are key to Richmond's ability to implement an opportunity-driven, real estate market-based Affordable Housing Strategy. Under the Commonwealth of Virginia Housing Authorities Law (Section 36-1 et seq, 1938, as amended), RRHA has broad eminent domain powers, bonding authority

and the ability to incur debt and operate housing as an enterprise for the benefit of low income households.

As a PHA under HUD regulations, RRHA has the authority to convert a portion of its Housing Choice Vouchers to Project Based Vouchers, a potentially important tool for increasing the affordability of new rental developments. In addition, RRHA has access to a variety of HUD programmatic and financial resources, including Choice Neighborhoods, the Rental Assistance Demonstration Program, and the Capital Fund Financing Program, all of which are important tools for neighborhood revitalization, investing in public housing or enabling the conversion of public housing to private ownership. RRHA (or a developer selected by RRHA) also has the ability to apply for 9 Percent Low Income Housing Tax Credits (LIHTC or tax credits) through a pool limited to housing authorities, thereby increasing the potential that projects in Richmond will secure an allocation of very competitive 9 Percent tax credits.

#### **a. Challenges Facing RRHA in Addressing its Core PHA Mission**

RRHA's public housing inventory is aging, with more than 96 percent of units over 30 years of age, and 66 percent over 50 years of age. This public housing stock must be rehabilitated or replaced in order to ensure the ongoing availability of quality affordable housing for the City's poorest residents, and to assure RRHA's public housing assets contribute to neighborhood revitalization and the alleviation of poverty in Richmond.

RRHA has initiated a number of development activities to revitalize the existing public housing inventory and increase or preserve the supply of affordable housing in the City. Key developments include:

- Creighton and Whitcomb Courts, combined with Creighton/Whitcomb Area Revitalization. This revitalization potentially includes redevelopment of such parcels as the former Armstrong High School property near Creighton, the retail parcel at Nine Mile Road and 25th, the former Whitcomb Elementary School complex in Eastview, and the old Juvenile Detention Center property on Mecklenberg St. RRHA has selected Community Builders as the master developer for Creighton and Whitcomb Courts;
- Completion of Highland Grove (formerly Dove Court);
- Completion of the Blackwell/Fulton HOPE VI development; and

- Revitalization of other public housing transformation, including:
  - The three Mosbys
  - Fairfield Court
  - Gilpin Court
  - Hillside Court

#### **b. RRHA Recommendations**

PHA's typically work collaboratively with the local jurisdiction in which they reside as such collaborations can yield financing and other forms of support that will advance the PHA's mission. In the case of RRHA and the City of Richmond, the imperative of collaboration is even greater given RRHA's role as a redevelopment agency, with an unambiguous obligation and Commonwealth statutory mandate to serve the broader interests of the City in this role.

Implementation of a meaningful and successful affordable housing program in the City of Richmond will require the development of a functional and collaborative working relationship between the City and RRHA. This requires functional, collaborative and cooperative working relations among City and RRHA administrative officials, as well as the Mayor, City Council and RRHA Board.

Cooperation between the City Administration and RRHA may in part be affected by the governance structure of the RRHA, under which the RRHA's Board of Commissioners is appointed by the Richmond City Council, while the City's CAO office reports to the Mayor. Under this structure, RRHA has no formal accountability to the City's Administration, and the administrator of City housing programs has limited ability to ensure cooperation. Other PHAs are similarly organized, but many have developed more collaborative, mutually reinforcing relationships with their local cities, in the best cases operating under a common set of citywide goals, policies and coordinated programs to carry out a clearly articulated Affordable Housing Strategy. In such cities, resources are shared, and housing strategies, policies and programs are mutually developed and carried out. The work of other city agencies such as police, planning, economic development, public works, schools and recreation is tightly coordinated with both the PHA and

housing department under a single vision for affordable housing, neighborhood revitalization, alleviation of poverty, and public housing transformation.

Richmond is beginning to address this critical problem through the Transformation Collaborative, and the memorandum of understanding between RRHA and the City regarding the transformation of public housing. The highest priority should be given to this collaboration to assure its rapid success, and its coordination with creation of the Richmond AHTF and Housing Department, as we recommend here.

### **3. Organization of Housing Function at the City**

In order for the City of Richmond to implement a meaningful affordable housing program and to carry out the project and program recommendations of the Affordable Housing Strategy, DRA recommends that the City create a Housing Director position on par in authority with the City's Planning Director and Economic Development Director, under the direction of the Deputy Chief Administrative Officer, and accountable to the Mayor.

A Housing Director with this level of authority is required to ensure coordination with other functional areas within the City, and to effectively administer affordable housing projects and programs. Critical areas of interdepartmental collaboration include planning and zoning (such as zone changes, lot line adjustments, special use permits (SUPs), building/design review and density bonuses) and public works (such as off-site infrastructure improvements necessary for key affordable housing developments and transit-oriented development).

The Housing Director should also serve as the point person for dealing with the public regarding affordable housing projects and programs, to help direct projects through other departments within the City as required. These include planning, zoning, permitting, finance, legal, real estate, public works, RRHA and others. Local stakeholders indicate that it is currently unclear who at the City they should contact to address the needs of their affordable housing projects, that such projects tend to get "lost" in the City, and that it takes too long for their needs to be addressed. One local developer reports that a SUP adds six months to the development process. Another said they add an extra 12 months to the estimated timeframe for development of housing projects in Richmond compared to other Virginia communities such as Roanoke, Newport News and Norfolk. Other developers have stopped working in Richmond altogether.

The functions and activities under the Housing Director will include:

**a. Policy and Advocacy**

The Housing Director should be empowered to carry out the policy and advocacy functions described in Section B.1. above.

**b. Budget and Production Goals**

To maximize the use and coordination of scarce financial resources, the Housing Director should establish housing program budgets and production goals.

**c. Coordination as needed with other departments.**

To effectively administer the City's affordable housing programs and projects, the Housing Director must coordinate well with other departments in the City, in particular:

- Department of Planning and Development Review;
- Public Works Department, including Transportation Engineering Division;
- Real estate services functions in the various department of the City;
- Fire and Public Safety;
- City Attorney's office, particularly in the areas of legal document preparation (as described above) and tax-delinquent parcel sales; and
- Finance, including bond financing.

**d. Coordination with RRHA**

This includes coordinating programs and investment priorities to maximize returns on public investment and advance the goals of the Transformation Collaborative.

**e. Coordination with other agencies**

Successful implementation of a meaningful affordable housing program in the City of Richmond will require close coordination between the City and other agencies, including but not limited to the Virginia Housing Development Agency (VHDA), HUD, other federal agencies, the Federal Home Loan Bank of Atlanta, and others.

The City must continue to foster an excellent relationship with the VHDA. As the agency that allocates the valuable tax credit and tax-exempt bond financing sources, as well as other below-market loan programs, VHDA is a critical partner for affordable housing development in Richmond. To be competitive, applicants need letters of support, and in many cases financial support from the City of Richmond. The Housing Director will enable the City to promote an effective, consistent and lasting relationship with VHDA. The position will also enable the City to support Richmond applicants and, when required, prioritize the projects supported with City funds in a way that best aligns with the City's Affordable Housing Strategy.

**f. Management of Richmond's Affordable Housing Trust Fund, HOME, CDBG and other affordable housing lending and grant programs**

The Housing Director will be responsible for carrying out the various housing finance program functions detailed in Section B.1. above. In this role the Housing Director will be responsible for developing lending policies and ensuring internal compliance with these policies.

**g. Richmond's Point Person for Housing**

In addition to overseeing the affordable housing functions described above, the Housing Director will be responsible for elevating the importance of market-rate housing to meet the full spectrum of housing needs in Richmond. This will include ensuring the City's zoning, planning and urban design documents make adequate provision for housing at alternate densities in the City; encouraging the inclusion of housing in transit-oriented and mixed-use development projects to help make the City a walkable, active and attractive environment; and assisting in, or advising on, developer negotiations on projects that involve a housing component, such as advocating for additional density when and where appropriate in exchange for affordable housing units. This will serve to elevate housing's role as an important element of the City's overall economic development and planning functions.

**h. Neighborhood Revitalization**

The Housing Director will also be closely involved in neighborhood revitalization initiatives in the City. These should include delineation of neighborhood geographic boundaries for areas of high priority for neighborhood revitalization. Successful neighborhood revitalization will require a concentration of scarce City resources in an interdisciplinary effort involving code enforcement, public safety, public facilities, public works, parks and schools to have maximum impact in key



neighborhoods. The selection of priority neighborhoods may be triggered by key investments, such as major economic development initiatives.

#### **4. Staffing**

The Housing Director will require staffing support in carrying out the various functional responsibilities discussed in this memo. The staffing responsibilities described below do not represent discreet fulltime positions. Rather, they represent functional areas of responsibility that, in some instances, could be successfully conducted by a single staff person, while in other instances more than one staff person may be needed. Responsibilities may be assigned to outside contractors. Functional areas of responsibility that are likely to require staff-level support include:

- Loan underwriting and analysis (loan officer/relationship manager). This position will include managing the loan underwriting, loan approval and loan closing process for individual affordable housing loans. On a project-by-project basis this person will serve as a primary point of contact for the housing developer;
- Housing policy coordination. This position will assist the Housing Director on matters related to housing policy; and
- Asset management/portfolio administration. The position will track the performance of housing investments and oversee compliance.

#### **5. Housing Director Qualifications**

The Housing Director will be responsible for overseeing the housing functions described in Section B.1. above. In order to carry out these responsibilities, the Housing Director must have excellent private and public sector qualifications in the areas of:

- Real estate markets and finance (in order to implement market-driven strategies and to respond to, and assess the risks and benefits of, market opportunities);
- Affordable housing finance;
- Property acquisition and disposition;

- Developer negotiations;
- Legal document review and negotiations, including ENAs, DDAs, loan agreements, ground leases, regulatory agreements resale agreements and rent restrictions;
- Expertise with HUD programs, including but not limited to CDBG, HOME, NSP, ESG, public housing, rental vouchers, FHA, as well as other sources of capital such as the Community Reinvestment Act, and the Federal Home Loan Bank Affordable Housing Program; and
- Expertise with Low Income Housing Tax Credits and multifamily private activity tax-exempt bonds .

## C. Program Elements

This section provides a description of specific program elements that can be carried out in Richmond to achieve the goals of the Affordable Housing Strategy, including those that can be acted upon by the City of Richmond and those that require action of the Richmond Redevelopment and Housing Authority.

### 1. RRHA Revitalization

#### a. Role of the RRHA

As the current housing provider to the poorest of Richmond’s residents, the Richmond Redevelopment and Housing Authority is key to achieving the goals of the Affordable Housing Strategy. RRHA must develop and implement a comprehensive strategy that effectively uses all of RRHA’s resources (financial, land and buildings) and maximizes use of available leveraged finance opportunities. The Affordable Housing Strategy should encompass the following elements in a strategic manner that maximizes the use of RRHA’s resources (primarily land and buildings owned), leverage of non-local resources, and the number of households that can be assisted.

#### b. Public Housing Revitalization

RRHA has initiated a number of development activities to revitalize the existing public housing inventory and increase or preserve the supply of affordable housing in the City. Key developments include:

### 1. Creighton and Whitcomb Courts and Creighton/Whitcomb Area Revitalization

RRHA has selected The Community Builders (TCB) as the master developer for Creighton and Whitcomb Courts public housing properties and the revitalization of the surrounding area. This revitalization potentially includes redevelopment of such parcels as the former Armstrong High School property near Creighton, the retail parcel at Nine Mile Road and 25th, the former Whitcomb Elementary School complex in Eastview, and the old Juvenile Detention Center property on Mecklenberg St. The City has been working with TCB and RRHA on a proposed submittal to VHDA in the spring of 2015 for 9 Percent tax credits to redevelop the former Armstrong High School property as affordable housing.

### 2. Completion of Highland Grove (formerly Dove Court)

Redevelopment of the former Dove Court public housing development in Richmond has proceeded with the vision of creating a mixed-income community with a variety of rental and ownership housing types. The former public housing units have been demolished and the Highland Grove apartments have been completed, offering new 1, 2 and 3 bedroom apartments and townhomes. Additional lots slated for the construction of single-family and duplex units remain available for development. Completion of the Highland Grove revitalization is a high priority for the City.

### 3. Completion of the Blackwell/Fulton HOPE VI development

RRHA received a \$26.9 million HOPE VI grant from HUD for revitalization of the Blackwell community, which lies just south of downtown Richmond. The HOPE VI revitalization plan included 650 replacement housing units, including 161 multifamily units in Blackwell, 188 new single-family homes in Blackwell, 120 homeownership units in three other Richmond communities, and 68 apartments on Blackwell's Hull Street. Three- and four-bedroom single-family homes have been made available for purchase by first-time low- and moderate-income families. Additional lots remain vacant and available for development. Completion of the Blackwell revitalization is also a high priority for the City.

#### 4. Other public housing transformation

Other public housing sites targeted for revitalization, along with strategic sites ancillary to public housing and potentially other parcels and other assets, include the following:

- The three Mosbys
- Fairfield Court
- Gilpin Court
- Hillside Court

Strategies for the redevelopment of these sites should be considered based on funding opportunities and strategic initiatives tied to the valuation and use of RRHA's underutilized assets.

#### **c. Disposition and development of RRHA-owned vacant and scattered properties**

In addition to the major sites for redevelopment mentioned above, RRHA owns over 400 vacant parcels and homes in need of rehabilitation and/or redevelopment, many of which were purchased by the City with ownership subsequently transferred to RRHA. In their current condition, these parcels have a blighting influence on the neighborhoods in which they are located. They are also potential assets that can be harnessed to provide affordable housing in the City.

DRA recommends that RRHA develop a strategy for the use of these assets for the development of affordable housing for the citizens of Richmond. This may include development of the sites and/or sale of certain properties to raise funds for other RRHA development activities.

RRHA does not appear to have a program, plan or strategy in place for redeveloping these properties. If RRHA does not promptly develop a disposition and development strategy for these parcels, they should be conveyed back to the City directly or to an entity that is able to promptly craft a viable disposition and redevelopment program for key parcels.

This strategy should consider:

- The suitability of parcels for single-family ownership and/or multifamily development. Most of RRHA's scattered site properties consist of single-family homes or lots. However, larger sites may exist or the consolidation of existing smaller sites into larger ones may be possible in areas that are appropriate for multi-family rental housing. Given the large need for affordable multi-family rental housing in Richmond, the potential for sites suitable for this type of development should be assessed.
- The market potential of the various properties, and the identification of properties in areas where the market supports the development of new housing. Market values are so low in some of Richmond's neighborhoods that huge subsidies would be required to write-down the sales prices to market rates. Others may be in areas where unassisted private development is feasible, or financially assisted development at more reasonable subsidy amounts is viable.
- Maximum revitalization impact. Neighborhood revitalization is maximized when sufficient investment, public and private, is focused on a particular block or in a defined area to have an impact on the market in that neighborhood and spur additional private investment. Therefore, the strategy should consider clustering the development and/or sale of RRHA's scattered site properties to maximize this impact, in conjunction with the market analysis mentioned above. As revitalization occurs in one or several neighborhoods, the City can move on to the revitalization of additional areas. Richmond's "Neighborhoods in Bloom" program is an example of such a focused neighborhood investment program.
- Physical needs assessment. The physical condition of single-family homes should be assessed to determine if rehabilitation is viable or whether the home should be demolished and the vacant lot sold or redeveloped.
- Restrictions on the use of the property, based on the funding sources used to acquire the site. Many of the properties were originally owned by the City of Richmond and transferred to RRHA. These properties generally have minimal restrictions on their future use or sale. Other properties, particularly those purchased with HUD funds, may have more extensive restrictions on their use

and sale. The scattered site revitalization strategy should begin with an assessment of these restrictions through a title search.

#### **d. Use of Project-Based Vouchers**

RRHA also administers approximately 3,000 Housing Choice Vouchers, which subsidize the rents of voucher holders leasing units in privately owned rental. HUD allows up to 20% of a Public Housing Authority's (PHA's) to be project-based, providing a valuable source of income that can be used for the development of new affordable multifamily housing units. RRHA's revitalization strategy should consider the strategic use of project-based vouchers to increase leverage of other funding sources available for multifamily rental development in conjunction with targeted neighborhood revitalization.

## **2. Sale of Tax-Delinquent Parcels**

There are more than 6,000 tax-delinquent parcels in Richmond, many of which have a blighting influence on the neighborhoods in which they are located. Recent state legislation provides new tools the City can use to hasten the disposition of these units for rehabilitation and/or redevelopment.

State of Virginia code Section 58.1-3970.1 authorizes localities to petition the circuit court to appoint a special commissioner to execute the necessary deed or deeds to convey real estate that meets certain requirements to the locality in lieu of the sale at public auction. Special provisions are made for real estate in the Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, and Hampton. In order to qualify, parcels in these areas must meet the following requirements:

- The parcel has delinquent real estate taxes or the locality has a lien against the parcel for removal, repair or securing of a building or structure, removal of trash, garbage, refuse, litter or the cutting of grass and weeds.
- For parcels valued at \$50,000 or less, the total of such taxes and liens, including penalty and accumulated interest, must exceed 35% of the assessed value of the parcel or taxes alone must exceed 15% of the assessed value of the parcel.
- For parcels valued at between \$50,000 and \$100,000 that do not contain an occupied dwelling, the total of taxes, liens, penalty and interest must exceed 20% of the assessed value of the parcel or taxes alone must exceed 10% of the

assessed value. For parcels in this category, the locality must enter into an agreement for sale of the parcel to a nonprofit organization to renovate or construct a single-family dwelling on the parcel for sale to persons to reside in the dwelling whose whole income is below the area median income.

Any surplus of funds accruing to a locality as a result of the sale of the parcel after receipt of the deed is payable to the beneficiaries of any liens against the property and to the former owner, his heirs or assigns.

The City of Richmond should take advantage of this legislation to maximize the potential for development of affordable and market-rate housing in Richmond and to spur neighborhood revitalization. The steps to developing and implementing a strategy to use these properties should include:

- Site assessment. The sites should be reviewed with respect to:
  - Title issues, to identify those with relatively clean title and those with numerous owners that will make transfer of title more difficult;
  - Market potential, to identify locations within the City where there is adequate market demand and sufficiently high prices to make rehabilitation or new construction feasible as market-rate housing or with minimal subsidy;
  - Site clusters, to identify locations where multiple tax delinquent parcels exist on the same block or in the same area that can be sold together to maximize their attractiveness to developers and increase their impact on neighborhood revitalization; and
  - Valuation issues, identifying where parcels may be overvalued based on their existing physical condition or location.
- Prioritization of sites and areas based on the site assessment activities above and a strategic dovetailing of this strategy with other housing and neighborhood revitalization activities, such as the RRHA revitalization strategy described above.
- Sales process. The City should develop a process to bring these parcels on the market in an efficient and cost-effective manner, including:

- Developing sales procedures and standard documents for sale of the properties to for-profit or nonprofit developers or individual homebuyers;
- Developing a list of prequalified interested lenders to serve as the City's financial partners in the strategy;
- Developing a list of approved and prequalified contractors, if the homes are to be sold to individual homebuyers, to assure that improvements will be high quality and reasonably priced;
- Arranging first-time homebuyer screening and counseling with existing local agencies already providing these services; and
- Working with local realtors and/or nonprofit agencies to complete the sales to qualified homebuyers, particularly for parcels valued under \$50,000 that must be sold to households at or below AMI.

To the extent the City has available Neighborhood Stabilization Program (NSP) funds, the sale of tax delinquent properties may provide an excellent opportunity to leverage those funds in the creation of affordable homeownership or scattered site rental opportunities.

### **3. New Rental Construction**

The City's Comprehensive Affordable Housing Strategy should involve assisting the construction of new rental housing as the most cost-effective means of providing housing to very low income residents in Richmond, especially when leveraged with Low Income Housing Tax Credits. As reported in Appendix B, Affordability Gap Analysis, with 4 Percent tax credits and tax-exempt bonds the subsidy required for development of a very low income rental unit may be reduced to \$30,000 per unit, and it can be substantially lower if the more competitive 9 Percent tax credits are secured. (Subsidy amounts are higher for some projects, such as supportive housing serving residents earning less than 30% of AMI).

The City should seek to identify and partner with experienced tax credit development partners (for-profit and nonprofit) with the track record, and financial and staff capacity to carry out new rental construction projects. As profiled in Appendix C, Existing Resources for Housing, over the five-year period from 2009 through 2013, there were 14 projects in Richmond that successfully secured allocations of 9 Percent tax credits, resulting in the development of 1,232



affordable units. Another 5 project received allocations of 4 Percent tax credits and tax-exempt bonds, resulting in the creation of another 520 affordable units. The developers of these projects provide potential partners for Richmond, and their performance in these projects can be assessed. However, the City should not limit its assistance to developers that have previously developed tax credit projects in Richmond, as there may be other regional developers that can provide benefit to Richmond's affordable housing program.

If the City and/or RRHA provide financial assistance, or sell property for less than market value, for the development of affordable rental housing, this subsidy assistance will require long-term affordability restrictions on assisted units, in the accordance with the requirements of the funding source. Lending and underwriting protocols described above should be used. If the City has funds available but not a site, it may issue a Notice of Funding Availability to assist projects satisfying minimum affordability, density, construction quality, design and other requirements.

To the extent the City or RRHA have sites available and appropriate for multifamily rental development, the City or RRHA may issue Requests for Qualifications or Requests for Proposals to select qualified, experienced developers with a track record in the type of housing being proposed.

#### **4. Single-Family Acquisition and Rehabilitation**

The City has a track record of using its HOME and CDBG funds to provide financial assistance to nonprofit development partners to acquire and rehabilitate existing single-family homes in Richmond for sale to low income first-time homebuyers. While this program has been influential in the revitalization of certain blocks and areas of the city, in most cases the cost to acquire and rehabilitate these units is substantially in excess of the market values of these homes, resulting in substantial per unit subsidies of \$80,000 to \$100,000 or more.

DRA recommends that single-family acquisition and rehabilitation assistance be used strategically along with other program elements, including RRHA revitalization and tax delinquent parcel disposition, to magnify the impact of these other efforts and stretch Richmond's limited financial resources further to achieve its housing goals.