



PREPARED FOR
Virginia Housing



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Housing as an Economic Development Strategy for Virginia

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1. Executive Summary

In a competitive landscape where regions and states race to attract both talent and business, the value of housing affordability and availability is becoming as important to the local workforce as skilled workers are to employers. Inadequate housing supply hampers workforce mobility, limits job opportunities, and negatively impacts a state's economic competitiveness. If appropriate housing is not available, firms will face challenges attracting new workers from other states and possibly lose existing workers who may be driven away by rising costs. An impactful economic development plan needs to be matched with a well-thought housing plan to be successful in this environment. This report offers insights and recommendations to guide policymakers and stakeholders in fostering sustainable economic development through housing initiatives for the Commonwealth of Virginia. Two building blocks served as the basis of Chmura's analysis:

Inadequate housing supply hampers workforce mobility, limits job opportunities, and negatively impacts a state's economic competitiveness.

- A review of the existing literature on the linkage between housing and economic development
- A series of focus groups with key stakeholders from each of the GO Virginia regions, as well as interviews with state and national housing, economic development, and site selection experts

The Role of Housing in the Economic Development Toolkit for Virginia

Virginia is projected to add more than 140,000 net new jobs by 2033, as a conservative baseline based on Chmura's JobsEQ forecast. In order to attract and retain the needed workforce to fill these positions, housing affordability has to become front and center in the state's economic development toolkit. The cost of living, an important factor for the ability of a firm to conduct business in a state, is heavily driven by housing and rental prices. According to Chmura's JobsEQ, Virginia currently ranks #12 among states with the highest median home price value. As the demand for housing has soared in recent years and is expected to continue to grow into the long run, the state's portfolio of housing stock must adapt to improve affordability.

Housing affordability has to become front and center in the economic development toolkit.

This report highlights recent shifts in Virginia's demand and supply for housing that have seriously impacted housing affordability for low- and middle-income residents:

- Changes in the mode of work leading to individuals prioritizing their work-life balance, increasing the demand for larger homes
- Supply bottlenecks and inflation which have led to elevated construction costs

Why this Study and Why Now?

Housing concerns in Virginia have been intensifying. Across the Commonwealth, economic development stakeholders express that housing is now among the top concerns, if not the number one concern, for growth in their localities. At the same time, there is no comprehensive statewide study of the linkage between housing affordability and economic development. This study aims to address this gap by providing:

1. A discussion of the housing market and economic development challenges in each GO Virginia region
2. An overview of best practices for coordinating housing with economic development
3. Suggested recommendations addressing the issues identified in this study by professionals in economic development, housing, local government, and academic institutions during focus groups

Regional Housing Markets and Economic Development Challenges in the Commonwealth

Lack of housing unit affordability is a common theme across all GO Virginia regions, but the roots of the problem vary from region to region. Home affordability is defined as how much a household can afford to pay for housing (rent or mortgage plus utilities) relative to their disposable income. Just as these regions differ in terms of urban development, demographics, and industry composition, so do the challenges they face. In GO Virginia Regions 1, 2, 4, 5, 7, and 9, affordability is negatively affecting economic development, making it difficult for businesses to recruit workers. Changing population trends are amplifying housing affordability in various GO Virginia regions.¹

Region 1: Aging housing stock is both the cause and the consequence of a declining population. This is negatively affecting workforce recruitment and retention.

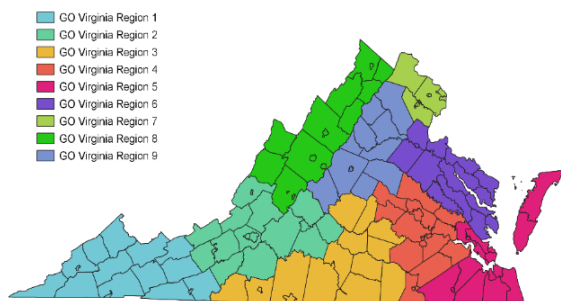
Region 2: A shift toward high-end construction projects in the region is driving away young professionals, who cannot afford expensive homes or rental units. Businesses considering expansion ultimately choose other regions—at least in part due to concerns about the availability of housing for workers.

Region 3: A recent boom in the demand for housing—following a successful economic development plan focused on manufacturing, outdoor recreational centers, and agritourism—has been challenged by a lack of housing options. Many workers currently have to reside across the state line. Inadequate and outdated infrastructure (such as roads and utilities) impede large-scale housing development.

Region 4: High cost and low availability are driving low-wage workers outside the region. Large companies worry that long commutes will affect retention. Small businesses worry that outmigration will affect their profitability in the long run.

Region 5: In the past, the region’s low cost of living was a selling point in attracting businesses, but rising home prices are eroding that advantage. The increased popularity of remote work has contributed to this trend.

GO Virginia Regions



Region 6: A recent expansion of warehousing, data centers, and healthcare in the region has led to sprawling housing developments, but urban areas are now maxed out. In order to remain competitive, the region needs to find new affordable housing options.

Region 7: Quality of life—which includes not only housing affordability, but also traffic and services availability—is central to workforce attraction and retention in this densely populated region. Historically, residents in the region preferred single-family neighborhoods; however, as the amount of available land dwindles, the focus is shifting towards multifamily housing developments.

Region 8: A recent shift toward more profitable high-end construction is not in line with the current demand for housing. There is available housing, but workers’ wages are too low to afford it. The region needs to attract more high-paying jobs by providing incentives and tax breaks to businesses that decide to relocate.

Region 9: The gap between housing and economic development is becoming an equity issue. A wave of new luxury construction is attracting people flocking from the high-priced Washington, D.C. area, but it is pricing out locals. Employers are concerned there are not enough homes for the low-wage workforce. Therefore, they need to choose between offering higher wages or moving their business to a different region.

In GO Virginia Regions 1, 2, 4, 5, 7, and 9, affordability is negatively affecting economic development, making it difficult for businesses to recruit workers.

¹ A tabulated summary of the focus group results by region is attached as an appendix at the end of this document.

Best Practices

Best practices are collected from stakeholder outreach insights and Chmura's research. Outcomes of efforts have been provided where available, though recently implemented programs may not yet have results. The following best practices can successfully increase the supply of housing, lower the cost of construction, and ultimately sustain economic growth.

- **Integrating Strategic Plans for Economic Development and Housing**

Examples of full integration of economic development and housing in one coherent plan are limited and too new to evaluate their effectiveness—but do hold promise. An Ohio study estimates housing needs based on employment growth over the next 10 years at the regional level, based on a goal of one new construction permit per new job. In Mechanicsville, Georgia, housing affordability is part of a holistic plan that includes economics and workforce development. In Virginia, planning district commissions (PDCs) are well-positioned to leverage grants and work with economic development agencies. They can intentionally advance housing initiatives which expand existing practices such as housing summits, regular housing focus groups, and plans/purchasing properties for redevelopment.

- **Addressing Workforce and Rural Housing Needs with Grants and Funding Programs**

Governors from Georgia and Connecticut have advocated for funds to support workforce development housing. Recently, Nebraska allocated \$30 million for a Rural Workforce Housing Fund program. North Carolina allocated \$50 million to their Rural Economic Development Division for neighborhood revitalization and community development.

- **Revising Zoning Regulations to Improve Affordability**

Rezoning is a fast and inexpensive way to increase density, especially in urbanized areas where land is scarce. There are many examples of rezoning that allowed more duplexes, townhomes, and apartments both at the state (California, Connecticut, and Vermont) and local municipality level (Durham, Atlanta, Minneapolis, and Fairfax County). California and Oregon are allowing accessory dwelling units (ADUs), which are attached or detached independent residential units located on the same lot as an existing home. Several localities in Virginia are also allowing or considering allowing ADUs, but this is not yet true statewide.

- **Improving Communication between Housing and Economic Development Stakeholders**

One of the obstacles to rezoning is the resistance from current residents. This is often referred to as NIMBYism (“not in my back yard” attitude). Continued education and communication between planning agencies and members of the community have led to successful outcomes in Silver Spring, Maryland; and Washington, D.C. Agencies may also establish growth plans to target areas for development and to consolidate community feedback on a regional basis instead of on individual projects.

- **Redeveloping Existing Structures and Supporting Mixed-Use Developments**

Repurposing underutilized spaces for housing is a popular choice to increase housing stock when land is not available. Examples of this best practice include the conversion of vacant commercial buildings (offices, hotels, schools, and industrial spaces) into residential units. Virginia Housing's Mixed-Use, Mixed-Income program provides an example of successfully encouraging reinvestment and revitalization by providing long-term fixed-rate mortgage financing for such projects.

- **Exploring Public-Private Partnerships**

Housing is relevant to employers because housing is important to the workforce. Not surprisingly, some employers have been actively involved in housing development. Examples include collaborations between Amazon and the Arlington Partnership for Affordable Housing, and between Apple and CalHFA. Additionally, cities like Bowling Green, Ohio, have benefited from a partnership with local residential developers to build a mix of housing options which address diverse residential housing needs.

Recommendations

A new trend is quickly becoming the new normal in corporate site location decisions: the consideration of housing as a location factor. The reason is quite simple: companies need a workforce and regions cannot retain and attract workers without available housing. For this reason, communication between all the parties involved in the planning of housing and economic development is fundamental to success. Chmura identified the following calls to action for Virginia:

Expand Availability and Reduce Barriers

- Update zoning for housing innovation in growth plans.
 - Review zoning regularly to accommodate innovations in the housing industry such as in manufactured housing, modular buildings, 3D printing, and accessory dwelling units (ADUs).
- Increase housing supply by identifying unused properties and land.
 - Maintain a registry of surplus or tax-delinquent land that could be of interest to land banks.
 - Provide incentives to repurpose unutilized office space.
- Foster construction workforce participation.
 - Expand training program access and scholarships, supporting transferable skills for construction and other trades to help mitigate cyclical demand in construction.
- Develop additional financing options to increase affordability for homebuyers and mitigate risks for developers.
 - Explore partnering with regional employers on options such as bond recycling, land acquisition financing, mezzanine financing, and mortgage assistance contributions.
- Expand access to federal and state housing programs.
 - Boost participation in federal programs (U.S. Department of Housing and Urban Development) which can lower the cost of purchasing a home.
 - Track Virginia's investments in affordable housing to enable an apples-to-apples comparison with neighboring and peer states—particularly economic competitors.
- Lower the cost of regulation.
 - Streamline permitting requirements and review processes of the Department of Environmental Quality and other local agencies.

Build on Efforts Positioning Housing as a Pillar for Economic Development

- Incorporate economic development goals in housing plans and housing in economic development plans.
 - Expand on efforts such as the inclusion of housing in the Virginia Chamber Blueprint and in the Governor's economic development framework.
 - Include economic development goals in the Department of Housing and Community Development (DHCD) statewide housing assessment.
 - Include housing strategy in the Comprehensive Economic Development Strategies and GO Virginia diversification plans.
- Foster collaboration among agencies.
 - Have Virginia Housing and Virginia Economic Development Partnership (VEDP) create a coordinated strategic approach to housing and economic development which addresses planning and infrastructure.

Improve Collaboration between Planning Agencies and Stakeholders

- Increase housing data availability and transparency.
 - Fill information gaps about housing availability, market tightness, housing under development, and plans/zoning in place to respond to economic development project announcements or major projects under consideration.
- Align housing and economic development goals with resident preferences in regional growth plans.
 - Designate growth target areas based on local growth rates. Review and amend zoning to align with community and economic development goals, and approve developments consistent with the target area plans.
- Address housing needs regionally.
 - Empower regional bodies such as PDCs to convene housing and economic development stakeholders, share data and planning. Invest funds such as Virginia Housing's 2021 PDC program to address regional needs.

Increase Engagement with Private Employers

- Encourage Public-Private Partnerships (PPPs) for infrastructure and housing development.
 - Facilitate collaborative efforts between state, localities, and employers in the form of PPPs that can be used to develop key infrastructure, assist with financing, or directly construct housing.
- Attract businesses focused on housing innovations.
 - Encourage Virginia to be at the forefront of innovations in housing materials and construction, providing employment opportunities at these businesses and facilitating the adoption of innovations for affordable housing around the state.

2. Background

Housing is an integral asset to every community, and it has increasingly become a major factor in business location decisions. Recent changes in remote and work-from-home policies, as well as a shortage of housing, have elevated available housing stock to top-of-mind concerns. This has compelled some local economic developers to address it in their economic development strategic plans.

Virginia is projected to add more than 140,000 new jobs by 2033. These are net jobs, and this estimate is a conservative baseline from Chmura's JobsEQ forecast. In order to attract and retain the needed workforce to fill these positions, housing affordability has to become front and center in the state's economic development toolkit. The cost of living, an important factor in a firm's ability to conduct business in an area, is heavily driven by housing and rental prices. Currently, Virginia ranks #12 among states with the highest median home price value, according to Chmura's JobsEQ.

In light of the rising importance of housing in business expansion decisions, Virginia Housing needs to understand the strategic importance of housing availability and affordability to economic development. Because these factors are different throughout Virginia, local dynamics need to be explored.

Chmura Economics & Analytics (Chmura) was retained to perform a qualitative analysis of the role of housing in economic development. Chmura used both primary and secondary research to generate findings that establish the connection between housing and economic development. This approach highlights how localities have been successful in integrating economic development and housing strategies, and how key stakeholders view the impact of housing on economic development in Virginia.

More specifically, the secondary research includes a literature review of existing housing-related information in the nation and state, which provides a background and guidance for primary data collection. For the primary research, a series of focus groups were conducted across the Commonwealth of Virginia. Participants included professionals in economic development, housing, local governments, and academic institutions.

The majority of this report discusses housing affordability. That is, how much households can afford to pay for housing (i.e., rent or mortgage plus utilities) relative to disposable income. Affordability changes over time and depends on household debt load, such as college or automobile loans. It also changes over the business cycle, as higher mortgage rates make homes less affordable, or high demand/lack of supply drives home prices and rental rates higher.

In contrast, "affordable housing," which is referenced in some of the literature review studies, is defined by the U.S. Department of Housing and Urban Development as housing that costs 30% or less of income.² Said differently, a household is cost-burdened when more than 30% of income is spent on housing.

The rest of this report is organized as follows:

- Section 3 summarizes the literature review, focusing on the links between housing and economic development
- Section 4 presents the results from a series of focus groups and interviews
- Section 5 summarizes best practices
- Section 6 presents conclusions and recommendations

² "Defining Housing Affordability", HUDUser, PD&R Edge, published August 14, 2017, <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-081417.html>.

3. Literature Review

A review of the literature related to the roles played by housing in economic development is provided to supplement the qualitative feedback received from practitioners in Virginia. Although no state-level reports were identified linking housing to economic development strategies, some sub-state regions have created strategies that tie affordable housing to economic development plans. In addition, some states and localities have created initiatives to address housing issues, particularly those in rural areas. This literature is summarized in the following four sections:

1. Recent housing studies performed in the Commonwealth
2. National studies illustrating the role of housing in business attraction, labor force growth and retention, and community development and integration
3. The effects of the COVID-19 pandemic and recent acceleration in inflation on the housing market
4. Current and upcoming home construction innovations that may affect housing affordability

3.1. Housing Studies in Virginia Touch on Importance of Housing in Economic Development³

Several studies have focused on the housing markets in Virginia over the past decade. Although none of them were created with the goal of understanding the role that housing plays in economic development, several of them touch on the importance of housing in attracting firms and growing a region's economy. The key takeaways from these studies are as follows:

1. Home affordability impacts all regions of Virginia, and it affects both homeowners and renters.
2. The main drivers of home affordability vary. In rural areas, the issues are deficiency of new construction and old stock of homes. In high-growth areas, lack of land and competition with commercial developments limits the supply of homes.
3. Economic development professionals and business leaders are increasingly aware that housing affects a region's workforce and quality of life. For that reason, some jurisdictions are working to address housing issues.

The remainder of this section provides a short review of relevant studies that touch on the importance of housing in economic development, beginning with the most recent findings.

One of the most recent studies concerning the Virginia housing market, the HB 854 Statewide Housing Study,⁴ highlights that home affordability underlies key economic drivers such as population growth and labor supply. High home prices may deter people from moving into the region, with migration being a significant factor for population growth. Similarly, high home prices may drive workers away—especially those in low-wage industries such as retail, food services, and other consumer services—decreasing labor supply. Multiple surveys and focus groups provided information related to Virginia housing, including owner-occupied and rental markets. The study concluded that home affordability is a significant challenge in Virginia, affecting both homeowners and renters.

The Statewide Housing Study also discussed statewide programs that help residents, such as rental assistance, down-payment assistance, and housing rehabilitation programs. It provided the following focused strategy recommendations to address home affordability issues:

- Virginia should establish a state-funded rental assistance program, targeting low- to middle-income households.

³ Appendix 1 contains a summary table of studies reviewed in this section.

⁴ Housing Forward Virginia, "H.B. 854 Statewide Housing Study," prepared for Virginia Housing and Virginia DHCD, 2022, accessed February 13, 2023, <https://housingforwardva.org/focused-initiatives/hb854-statewide-housing-study/>.

- The state should work to reduce utility costs for affordable homes, as well as upfront utility costs (like water and wastewater hookup fees) for home construction.
- The state should give localities more flexibility to reduce property tax for affordable homes.
- Virginia Housing and the Department of Housing and Community Development (DHCD) should continue to expand “bond financing” efforts to obtain funding for affordable home construction.

The Virginia Chamber’s *Blueprint Virginia 2030*,⁵ released in 2022, covers a range of topics including workforce, education, infrastructure, and business climate. One focus of business climate is housing, which reflected business leaders’ views that housing affects talent attraction, transportation, worker productivity, and quality of life. The statewide initiative, which “provides business leadership, direction, and long-range planning for Virginia,” made several recommendations to improve housing options for the state workforce, such as supporting financial assistance, expanding financial literacy, and removing regulatory barriers.

Based on listening sessions in seven regions in the state from June to August 2022, Virginia Department of Housing and Community Development (DHCD)⁶ found that zoning (and rezoning), land use, and the availability of land were significant challenges in constructing new housing. The listening sessions focused on the challenges and solutions of affordable housing in the areas of zoning and land availability, regulatory concerns, and workforce and labor. Matters of concern were voiced by key housing stakeholders including private builders and developers, nonprofit housing organizations and providers, housing advocates, and local government representatives. Other concerns surfaced during these discussions including permit review and stormwater regulations. Solutions to these issues include streamlined approvals and a standardized regulatory process. Labor shortages in the housing industry were also identified as an impediment to more affordable housing. In this case, possible solutions include increasing funding for trade schools/certifications and attracting more individuals to this industry.

A 2021 Virginia Joint Legislative Audit and Review Commission (JLARC) study on affordable housing in Virginia⁷ did not focus on the direct link between housing and economic development but stated that housing access is linked to the health and economic outcomes of individuals. Based on housing supply and demand, as well as the estimated cost burden for Virginia households, the study concluded that Virginia needs over 200,000 rental units to meet demand.^{8,9} While Virginians most affected by home affordability issues are renters, some homeowners are affected as well. The report included an extensive discussion of state and local policies that benefit renters and homeowners, who can then influence the performance of their local economies. Examples of those recommendations include low-cost loan programs, financial assistance for mortgages and down payments, and improved local zoning processes.

Since 2019, U.S. Department of Housing and Urban Development (HUD) presented housing market data for the Richmond, Charlottesville, and Hampton Roads metro areas in Virginia¹⁰ but did not explore the link between housing and

⁵ Virginia Chamber of Commerce, “Blueprint Virginia 2030,” accessed June 2, 2023, <https://blueprintvirginia.org/>. The Chamber conducted a series of meetings, surveys, and interviews to prepare the report.

⁶ Virginia DHCD, Housing Affordability Listening Sessions, June – August 2020, Executive Summary, <https://dhcd.virginia.gov/sites/default/files/Docx/housing-affordability-solutions-report.pdf>.

⁷ JLARC, “Affordable Housing in Virginia, 2021,” accessed February 13, 2023, <http://jlarc.virginia.gov/landing-2021-affordable-housing-in-virginia.asp>.

⁸ This shortage is not confined to the state of Virginia. A 2021 study by Rosen Consulting Group for the National Realtors Association summarized the related impact in the country and reported that to address the current housing shortage, approximately 550,000 additional new housing units would need to be constructed per year. This is over and above the historical trend of 1.5 million new homes annually.

⁹ Rosen Consulting Group, “Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing, June 2021,” accessed February 28, 2023, <https://www.nar.realtor/sites/default/files/documents/Housing-is-Critical-Infrastructure-Social-and-Economic-Benefits-of-Building-More-Housing-6-15-2021.pdf>.

¹⁰ U.S. Department of Housing and Urban Development’s Office of Policy Development and Research, “Comprehensive Housing Market Analysis,” accessed February 23, 2023, https://www.huduser.gov/portal/ushmc/chma_archive.html. Chmura did not review earlier studies as they were outdated.

economic development. The reports concluded that housing demand and supply were balanced in the Charlottesville area, but supply was slightly tight in the Richmond region. For the Hampton Roads area, the rental market was in balance, but supply was tight in the “for-sale” market. The studies took into account key indicators of the regional economies, population, and related housing markets. Important housing data includes building permits and housing demand forecasts. As noted in Section 3.3, impacts of COVID-19 have likely tightened housing markets in these regions since these studies were completed.

A review of the Growth and Diversity Plan of 2021 for each of the GO Virginia Regions¹¹ revealed that some but not all plans mentioned the impact of housing on their regional economic development. The challenges around housing and economic growth vary by region, specifically:

- Northern Virginia (Region 7) stated that high housing prices and lack of affordable housing are acute issues for the region.
- In rural Southside (Region 3), the housing shortage, not necessarily affordability, is impacting economic competitiveness in the region. In this region, the housing shortage is caused by a lack of new construction.
- In fast-growing Fredericksburg (Region 6), one issue is that housing is competing with commercial development for land.
- Near Roanoke and Lynchburg (Region 2), the challenge is an old and deteriorating regional housing stock.

Chmura reviewed the Comprehensive Economic Development Strategy (CEDS) reports of 21 planning district commissions (PDCs). These were published from 2018 through 2022. Twelve of 21 PDCs mentioned housing in their development strategy reports.¹² Specifically:

- PDCs 5, 15, and 17 mentioned an association between housing and workforce development strategies.
- PDCs 5, 12, and 23 provided in-depth analysis of regional housing markets as well as policy recommendations.
- PDC 5 (the Roanoke Valley-Alleghany region) indicated that businesses struggled to attract and retain employees due to housing affordability and availability issues. It also highlighted the regulatory and finance-related barriers to meeting housing demand.
- PDC 12 (the West Piedmont region) reported that a diverse range of housing is needed. Housing availability and the conditions of housing stock make it challenging to attract residents and workers to the region.
- PDC 23 (the Hampton Roads region) described that the high cost of housing hurts working-class individuals, especially those in regional tourism businesses. This reduces regional attractiveness to both potential employers and employees. In this region, the availability of affordable housing directly affects business location decisions.

Over 30 housing-related studies were conducted by Virginia localities from 2020 to 2022 that examined the housing market’s effect on economic development. Most of the studies, however, did not make an in-depth exploration of the role of housing in economic development but presented local housing market data such as supply and demand, price, and rental rates.¹³

One notable exception among the regional reports is a comprehensive housing study for Wythe County, Virginia, which highlighted the critical role of housing in economic development¹⁴ and concluded that employers may move or locate outside of the county due to housing issues. Using a new business expansion project as an example, this report identified the challenge of rural communities such as Wythe County in meeting housing demand derived from large economic

¹¹ These plans can be found at the websites of each GO Virginia region, accessed February 13, 2023, <https://govirginia.org/>.

¹² These reports can be found at the website of each PDC, accessed February 13, 2023, <https://www.dhcd.virginia.gov/pdcs>.

¹³ A Charlottesville study focused on home affordability issues, while Lynchburg and Richmond studies emphasized fair housing issues such as equitable access to housing by historically marginalized populations.

¹⁴ S. Patz and Associates, Inc., “Comprehensive Housing Analysis, Wythe County, Virginia,” prepared for Mount Rogers Planning District Commission, January 2023.

development projects. A lack of market-rate rental units and affordable for-sale homes could hamper economic development efforts. From a policy perspective, existing land use regulations make it both cost prohibitive and time consuming to attract home builders from outside the region.

A 2017 Virginia study prepared for Virginia's Housing Policy Advisory Council¹⁵ explained multiple ways housing could affect economic development. It found that high combined housing and transportation costs could lead to decreased productivity and deter business expansion. In addition, high housing costs affect economic opportunities for families and individuals. Unaffordable and unstable housing negatively affects health and educational attainment of children, which influences the long-term economic growth of the state.

3.2. National Studies Tie Housing to Economic Development, Workforce Development, and Social Benefit

National studies show that affordable housing supports regional growth while also providing social benefits that create a more productive workforce. The housing industry also creates jobs and generates tax revenue, which are both significant contributors to national and local economies. This topic is tangential to this report; accordingly, an overview of housing's economic impact can be found in Appendix 2.

The following two major categories of studies were reviewed in this section that investigate the links between housing and economic development:

1. Affordable housing and regional growth
2. Links between housing and social benefits

3.2.2. Affordable Housing Promotes Regional Growth

The four studies reviewed in this section indicate housing affects economic development through workforce development, land resources, and transportation. Housing affects workforce development because a lack of available or affordable housing may drive residents away or make a region less appealing to migrants. Conditions of the local workforce are an important consideration to businesses who are expanding or relocating, and finding sufficient workers is vital in their decision. An additional link between housing and economic development is the land market. In areas where new housing is needed, residential and commercial development may compete for land resources. This competition can increase the price of land, which can negatively affect business development. This is especially true for the manufacturing and warehousing industries, as they require large parcels of land. Finally, in areas where there is a housing shortage or unaffordable housing, some people may be forced to commute long distances to work. This can create traffic congestion, delays, and business disruption. These housing issues can also affect business location decisions. This is especially true for the retail or transportation and warehousing sector, since these industries rely heavily on local transportation systems to function.

The Center for Housing Policy published a study concluding that affordable housing can affect a business's ability to attract and retain employees, which can have implications for regional economic competitiveness.¹⁶ Specifically, a lack of

¹⁵ Virginia Coalition of Housing and Economic Development Researchers, "Addressing the Impact of Housing for Virginia's Economy, A Report for Virginia's Housing Policy Advisory Council," November 2017, accessed May 10, 2023, <https://www.vchr.vt.edu/publications/addressing-impact-housing-virginia%E2%80%99s-economy>.

¹⁶ Keith Wardrip, Laura Williams, and Suzanne Hague, "The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature," January 2011, Center for Housing Policy, accessed February 28, 2023, <https://www.opportunityhome.org/wp-content/uploads/2018/02/Housing-and-Economic-Development-Report-2011.pdf>.

affordable housing makes it more difficult to recruit and retain employees. Given alternatives, individuals will choose opportunity-rich regions with lower housing costs compared to regions with higher housing costs. Domestic migration data showed that metropolitan areas with high housing costs (Honolulu, San Francisco, Boston, and New York) lost population, while areas with moderate housing costs (Minneapolis, Denver, and Santa Fe) attracted migrants.

A study by Jerry Anthony found that in some of the most populous areas of the country, the lack of affordable housing has a statistically significant negative effect on GDP growth in those areas. They evaluated the impact of housing affordability (measured as a percentage of cost-burdened households) on economic growth (measured as the per-capita gross domestic product or GDP).¹⁷ A shortcoming of this research is that the results only apply to the top 100 most populous metropolitan areas. Rural areas, which could be facing different housing challenges, are not considered in the study.

Using data from California municipalities, Chakrabarti and Zhang (2015) found consistent evidence that unaffordable housing slows local employment growth.¹⁸ One reason is that high housing prices in California cities implies high land costs for other commercial and industrial developments, impeding job creation in those areas. The limitation of this study is that the data are for California, which has some of the highest housing prices in the nation. It is not clear whether the results would be the same for lower-cost regions in the United States.

Using 2010 through 2016 U.S. Census data for all 3,137 counties in the nation, Oluku and Cheng (2021) found compelling evidence that an increase in both the homeowner and renter cost burden has a statistically significant adverse effect on growth in the retail, information, and professional services sector.¹⁹ This is more geographically inclusive than other studies and emphasizes that home affordability affects urban, suburban, and rural areas across the nation. Oluku and Cheng's study, however, only analyzed the impact of housing affordability on three industry sectors. This leaves a large knowledge gap about how other important sectors—such as manufacturing, healthcare, or transportation—can be affected.

3.2.3. Housing's Social Benefits Provide a More Productive Workforce

While lack of affordable homes could have a negative effect on workforce and business development, a growing body of research suggests that affordable housing has social benefits as well.²⁰ A stable housing environment may increase the opportunities for children's educational success because a supportive and stable home environment can complement the efforts of educators. This leads to improved student achievement, which eventually increases worker productivity. Affordable housing may also foster the educational success of low-income children by supporting family financial stability, providing safe and nurturing living environments, and providing a platform for community development.

Housing has a direct effect on healthcare as well. Individuals living in unstable homes, or those who move frequently, tend to have more hospital visits and mental health-related issues. Those in substandard housing also reported more asthma-related incidents.²¹ Since education and health are important indicators of regional human capital, a better-educated and healthier population will have a positive long-term impact on the economic development of a region.

¹⁷ Jerry Anthony, "Housing Affordability and Economic Growth," *Housing Policy Debate*, 2022, [Housing Affordability and Economic Growth \(nlhc.org\)](https://doi.org/10.1177/0042098014532854).

¹⁸ Ritashree Chakrabarti and Junfu Zhang, "Unaffordable housing and local employment growth: Evidence from California municipalities," <https://journals.sagepub.com/doi/abs/10.1177/0042098014532854>.

¹⁹ Uche Oluku and Shaoming Cheng, "A Regional Analysis of the Relationship Between Housing Affordability and Business Growth," *Economic Development Quarterly*, 2021, Vol.35 (4), p.269-286.

²⁰ Maya Brennan, Patrick Reed, and Lisa A. Sturtevant, "The Impacts of Affordable Housing on Education: A Research Summary," 2014, Center for Housing Policy, accessed February 15, 2023, <https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Education-1.pdf>.

²¹ Veronica Gaitan, "How Housing Can Determine Educational, Health, and Economic Outcomes," 2018, accessed February 28, 2023, <https://housing-matters.urban.org/articles/how-housing-can-determine-educational-health-and-economic-outcomes>.

To show the importance of affordable or workforce housing with regard to investments, Roberts and Wegmann (2022) evaluated this type of housing asset, termed Moderate-Income Rental Housing (MIRH), from the perspective of investors.²² They found that since 2011, MIRH compared favorably in terms of its return and has a lower variation in total returns from year to year (risk) as compared to other common asset classes. More importantly, this type of investment fits into the category of socially responsible or ESG (environmental, social, and governance) investing. This option is attractive to those who want to invest in companies that consider their long-term effects on society or the environment.

3.3. COVID-19, Inflation, and Demographics are Impacting the Type of Housing in Demand

The COVID-19 pandemic has affected the housing market in significant ways. In 2020 and 2021, the nation experienced changes in market dynamics such as demand for larger work-from-home spaces and a supply chain disruption of housing materials, such as lumber and garage doors. Pandemic-related developments, such as the increased popularity of remote work, will continue to affect the long-term supply and demand for various types of housing. The pandemic-induced supply chain shortage and sustained high inflation in 2021 and 2022, coupled with the Federal Reserve's attempts to bring inflation back under control by raising interest rates, continue to impact the housing market. It is expected that these effects will last into the near future.

The COVID-19 pandemic significantly affected the way Americans work, and its effect also rippled through the housing market.²³ During the pandemic, remote work became widespread. As of August 2022, nearly a third of employees worked from home. Some worked a hybrid schedule, alternating between working at home and at the office, while others were fully remote. Even though the pandemic has officially ended, remote work persists to a certain degree, encouraging some Americans to buy homes further away from cities and traditional job centers. This trend not only affects housing demand and housing prices but also the demand for commercial space.

While the COVID-19 pandemic and the rise of remote work increased housing demand, the pandemic also caused severe supply chain issues that affected the construction industry. Supply chain disruption affected the progress of new housing, causing a rapid increase in home prices. Based on the S&P/Case-Shiller U.S. National Home Price Index, average home prices increased by 10.5% in 2020, and 18.9% in 2021.²⁴

The rapid home price increase has exacerbated the pandemic-induced housing affordability crisis. According to a report by the Federal Reserve Bank of St. Louis,²⁵ even before the pandemic, low-wage workers were struggling to pay for housing. The pandemic worsened the existing rental affordability crisis, as job losses and reduced hours forced a large number of households to fall back on savings, credit cards, and loans from friends and family. Similarly, a report by the Consumer Financial Protection Bureau states low-income renters are particularly affected by housing inflation.²⁶ Current homeowners with fixed-rate mortgages are not burdened by this increase—these homeowners may benefit from home price inflation as the fixed cost payment essentially declines in real terms.

²² Mark G. Roberts and Jake Wegmann, "Moderate-Income Rental Housing: Assessing its Viability as an Asset Class for Real Estate Investment with Environmental, Social, and Governance Criteria," Austin Housing Conservancy, accessed March 17, 2023, <https://www.austinhousingconservancy.com/moderate-income-rental-housing-report/>.

²³ Augustus Kmetz, John Mondragon, and Johannes Wieland, "Remote Work and Housing Demand," Federal Reserve Bank of San Francisco, FRBSF Economic Letter, 2022, accessed February 28, 2023, <https://www.frbsf.org/economic-research/publications/economic-letter/2022/september/remote-work-and-housing-demand/>.

²⁴ S&P/Case-Shiller U.S. National Home Price Index, accessed February 21, 2023, <https://fred.stlouisfed.org/series/CSUSHPISA>.

²⁵ Faith Weekly, "Addressing the Housing Affordability Crisis as COVID-19's Impact Continues," February 2022, Federal Reserve Bank of St. Louis, On The Economy Blog, accessed February 28, 2023, <https://www.stlouisfed.org/on-the-economy/2022/feb/addressing-housing-affordability-crisis-covid-19>.

²⁶ Scott Fulford, "Housing inflation is hitting low-income renters," Consumer Financial Protection Bureau, CFPB Blog, 2022, accessed February 28, 2023, <https://www.consumerfinance.gov/about-us/blog/office-of-research-blog-housing-inflation-is-hitting-low-income-renters/>.

The rapid rise in home prices also contributed to recent inflation in the United States.²⁷ This is apparent in the Consumer Price Index (CPI), which is based on a basket of goods and services that American households consume and utilize. Housing represents about a third of the value of the market basket that the Bureau of Labor Statistics (BLS) uses to track inflation. Since the pandemic started in March 2020, the CPI shelter component (homes) increased 16% through April 2023, compared with 17.4% for overall inflation. Since the shelter price is stickier—which means it changes less frequently—it will be difficult for the Federal Reserve to quickly bring down overall inflation.

The Federal Reserve's actions of raising the federal funds rate target to combat inflation are linked to taming home price increases (as a major component of CPI), while also increasing the monthly cost burden for homebuyers who take out a mortgage in a higher-interest environment. The Federal Reserve started raising the federal funds rate target in January 2022. The average federal funds rate increased from 0.1% in January 2022 to 4.33% in January 2023. Meanwhile, the 30-year mortgage rate rose from 3.45% to 6.27% during the same period, which dampened the demand for housing. High interest rates negatively affect investment in residential housing and housing supply, which was evident in 2022 and is likely to continue into 2023 and 2024. In addition, individuals who purchased homes a few years ago obtained low mortgage rates (around 3%), and most are unlikely to trade this for a higher mortgage payment due to current high interest rates. As a result, the number of resale homes on the market is low, relative to pre-pandemic levels.

The pandemic and a high inflation environment also changed consumer preferences for housing, especially the millennial generation. Millennials (those born between 1981 and 1996) have become the largest demographic group in the nation and are currently the main demographic driver of demand in the U.S. housing market.²⁸ However, there are multiple reports indicating that a large percentage of this demographic will become permanent renters. This generation came of age during the housing crisis and the Great Recession of 2007 through 2009. Tough economic conditions and high student loan debt prevented some of them from becoming homeowners.²⁹ This trend suggests that demand for multifamily units will outpace demand for single-family homes. For some suburban and rural counties that are dominated by single-family homes, it will be difficult to attract the millennial and younger generations with their current housing stock unless some owner-occupied units are converted to rentals.

Another trend not directly related to the pandemic is the continued demand for housing from an aging population.³⁰ The aging of the nation's population is one of the most significant demographic shifts in recent decades. A study published by the Institute for Housing Studies found that:

“Older adults aged 65 and above will grow from 26% of the U.S. population to an estimated 34% by 2038, and there are significant concerns that cities and communities are not prepared to adequately meet the housing needs of this segment of the population.”

Continued demand for senior housing will compete with demand for affordable workforce housing.

²⁷ David Wessel and Sophia Campbell, “How does the Consumer Price Index account for the cost of housing?” Brookings Institution Blog, May 2022, accessed February 2023, <https://www.brookings.edu/blog/up-front/2022/05/18/how-does-the-consumer-price-index-account-for-the-cost-of-housing/>.

²⁸ Bob Adams, “Are Millennials a Generation of Renters?” February 2023, Housing Forward Virginia, accessed February 21, 2023, <https://housingforwardva.org/news/fwd-183-millennial-homeownership/>.

²⁹ Paulina Cachero and Ella Ceron, “These Charts Show Why Most Millennials Couldn't Buy Homes at 24,” Bloomberg, March 2022, <https://www.bloomberg.com/news/articles/2022-03-23/why-aren-t-millennials-buying-home-4-charts-explain>.

³⁰ Institute for Housing Studies at DePaul University, “Planning for the Housing Needs of an Aging Population,” December 2021, accessed February 28, 2023, <https://www.housingstudies.org/blog/planning-for-housing-needs-aging-population/>.

3.4. Innovation and Co-Living Trends Can Improve Housing Affordability

Current and upcoming innovations in the housing industry and trends in accessory dwelling units and co-living spaces have the potential to impact housing availability in the near future. Innovations such as manufactured housing, modular buildings, and 3D printing, which are reviewed in this section, have the potential to reduce building costs and increase supply. Moreover, accessory dwelling units and co-living spaces can increase housing supply.

Construction technology is rapidly evolving, and emerging innovations have the potential to significantly increase housing supply. A 2022 article by the Department of Housing and Urban Development (HUD) identified the following innovations: manufactured and modular housing, volumetric construction, 3D concrete printing (3DCP), insulated concrete forms (ICF), and panelized wall systems.³¹ Manufactured housing is one avenue HUD has long pursued to reduce the cost of housing. Prebuilt homes are made offsite in factories using streamlined processes, requiring less time and labor than onsite construction. Modular construction allows homes to be built more quickly and less expensively than those built using traditional construction practices. The reduced construction cost gives modular housing the potential to be an affordable avenue to homeownership. Building technologies such as panelized wall systems, roof truss assembly systems, and floor cassettes are among the most versatile and cost-efficient framing products available to builders today. ICFs and 3DCP are two housing technology innovations that ease some of the challenges of a traditional concrete foundation and wall construction. They also offer developers new design possibilities. At least four 3DCP houses have been completed or are underway in Virginia through a partnership between construction firm Alquist, the Virginia Center for Housing Research at Virginia Tech, and Virginia Housing.³²

Trends in accessory dwelling units (ADUs) and co-living spaces also have the potential to shape future housing demand, and the housing market has seen a rise in ADUs in recent years. A November 2022 Freddie Mac consumer survey found that 71% of respondents were unfamiliar with the concept of ADUs.³³ Despite this lack of familiarity, once respondents were provided with the definition of an ADU, 32% of those who do not currently own one reported interest in having an ADU on their property. Among those interested in having an ADU one day, respondents are most likely to consider using the unit to host family and guests and earn additional rental income.

Co-living housing has captured the attention of the multifamily industry in recent years.³⁴ Unlike apartment units, co-living units are purpose-built or renovated multifamily assets, which are designed around several unrelated individuals sharing a housing unit. This is sometimes referred to as a “pod.” The residents (usually four to eight per unit) typically have private bedrooms but share common spaces in the unit (kitchen, dining, living, and bathrooms). The tight urban housing market is pointing to a future in which co-living is a viable and beneficial housing option for individuals in all life stages.

³¹ Alaina Stern, “The 2022 Innovative Housing Showcase: An After-Action Review of Events and a Reflection on Related HUD Research,” Office of Policy Development & Research, U.S. Department of Housing and Urban Development, PD&R EDGE, 2022, accessed February 28, 2023, <https://www.huduser.gov/portal/pdredge/pdr-edge-trending-071222.html>.

³² Karri Peifer, “Richmond’s first 3D-printed house is here,” Axios Richmond, June 24, 2022, accessed May 2023, <https://www.axios.com/local/richmond/2022/06/24/richmond-first-3d-printed-house>.

³³ Freddie Mac, “ADUs Can Increase Housing Stock, But Most Are Unfamiliar,” January 2023, accessed February 28, 2023, <https://www.freddiemac.com/research/consumer-research/20230124-adus-can-increase-housing-stock-most-are-unfamiliar>.

³⁴ CBRE, “The Rise of Co-Living,” 2020, accessed February 28, 2023, https://www.cbre.us/-/media/cbre/countryunitedstates/media/images/multifamily/innovation-watch/co-living/021420_innovationwatch_january-2020-fw.pdf.

4. Stakeholder Engagement Results³⁵

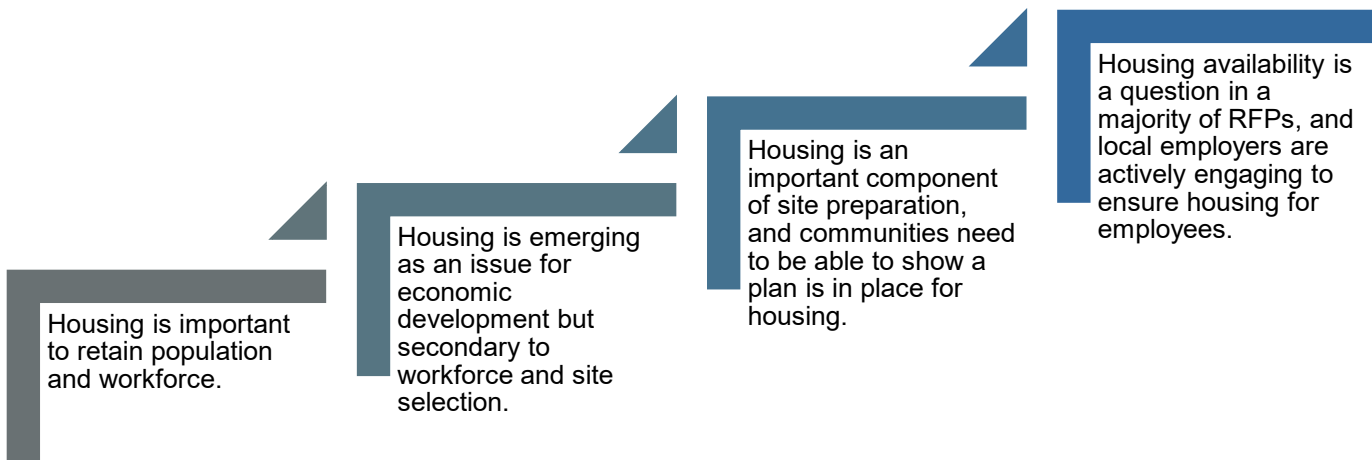
4.1. Common Themes Across Virginia

4.1.1. Housing Availability Ranges from Emerging Concern to Number One Priority for Economic Development

Housing is an emerging factor in economic development for most of the Commonwealth of Virginia and is a prominent issue in certain regions.

- While urban housing issues have been highlighted in previous studies, stakeholders emphasized the importance of housing in rural regions—lack of housing is a real barrier to economic development in rural parts of the state.
- Stakeholders across all regions of Virginia consistently reported problems related to housing availability and affordability.
- Housing is not yet a primary concern for site selectors, but it remains a significant consideration as it directly impacts workforce availability.
- Housing indirectly impacts economic development decisions concerning transportation and quality of life.

Stakeholders Expressed a Range of Linkages Between Housing and Economic Development



In every GO Virginia Region, stakeholders confirmed housing affordability was a prominent concern. A number of regions (1, 2, 6, and 8) indicated that affordability issues are partially tied to housing availability. Additional causes of housing availability challenges vary by region.

- In more rural regions (Region 3), older homes make up a significant portion of the housing stock, but a lack of supply for newer homes or issues with an older housing stock was a common concern in many regions (1, 2, 5, 6, 7, 8, and 9).
- In more densely populated areas, faster population growth and limited land availability results in home shortages.

³⁵ The focus group instrument can be found in Appendix 3.

- In most regions, home availability and affordability can be partially attributed to the mismatch of housing type demand and supply. The need persists for more diverse housing options such as condominiums, townhomes, and rental properties, while current home construction across Virginia focuses on single-family homes.

“There is a serious lack of affordable workforce housing in the region.”

– Jerry Davis, Executive Director, Northern Neck Planning District Commission

4.1.2. Housing is Important to Quality of Life and Supports an Ample Labor Supply

Housing was overwhelmingly identified as playing an important role in economic development in all of the GO Virginia Regions.

- Both the economic developers and expanding businesses recognize that housing availability, quality, and affordability directly impact their ability to attract and retain a skilled workforce.
- Housing plays a critical role in attracting businesses and is growing as a key consideration in business expansion and relocation decisions.
- This recognition indicates a shift towards a more holistic approach to economic development that considers the importance of housing.

“Housing and economic development are one and the same.”

– Kristy Johnson, Executive Director, Industrial Development Authority of Halifax County

First and foremost, the issue of housing availability and affordability impacts whether businesses can find an adequate workforce. This is a common concern across the state, mentioned by almost all GO Virginia regions (except Region 5) as a key link between housing and economic development. The affordability gap affects workforce retention, can deter remote workers, entrepreneurs, and young talent from choosing a region, and can lead to employees seeking opportunities elsewhere.

- Stakeholders in Region 3 emphasized that housing affordability poses challenges for talent retention and business attraction, as housing costs that are not aligned with regional wages hinder efforts to retain graduates and attract skilled workers.
- The perception of better housing in neighboring states such as North Carolina further disadvantages Southern Virginia in recruitment.
- Region 4 has been losing employees to businesses outside the region.
- Limited housing has caused long commutes; this has particularly affected hospitality and other service industries.

For expanding or relocating businesses, in addition to workforce, quality of life is also an important consideration. A vibrant and diverse housing market is an important component of the overall quality of life of a region.

- Stakeholders in Regions 3, 4, 5, and 7 are focusing on redevelopment initiatives and mixed-use projects that integrate housing, commercial spaces, and community amenities. This approach aims to revitalize neighborhoods, create vibrant communities, and support economic development. Redevelopment efforts include repurposing underutilized properties, converting commercial spaces into residential units, and promoting mixed-income housing.
- The Town Center of Virginia Beach was provided as an example of a mixed-use development that integrates housing and workspaces. This type of development has fostered a sense of community and convenience, allowed people to reside close to their workplaces, and improved the regional quality of life.

“Given the way the market behaves now, maybe every mixed-use project should have a housing component to achieve its full potential. That almost becomes a given.”

– Alex Iams, Executive Vice President, Fairfax Economic Development Authority

The rise of remote work has also increased the importance of housing as workers prioritize quality of life and seek locations that accommodate remote work needs.

- Stakeholders report the increase in remote work has presented an opportunity for growth in rural areas like Region 1. With the ability to work remotely, individuals have the flexibility to choose where they live; this can attract professionals to the region. The availability and quality of housing stock, however, was cited as a deterrent at times for remote workers considering the region.
- Stakeholders in Region 3 report limited growth in remote work positions and the need to offer housing options that are attractive to remote workers.

“Remote work is a big factor. We're definitely seeing people that increasingly are on huge salaries from up in Northern Virginia and they are coming and moving into Fredericksburg, because they only have to go to work or go to the physical office once or twice a week. And that's driving up the prices here.”

– Bill Freehling, Director of Economic Development & Tourism, City of Fredericksburg

4.1.3. Housing Impacts Talent Attraction and Retention

A lack of affordable housing is making it a challenge for businesses and institutions to recruit and retain the skilled workers they desire and need.

- Five of the GO Virginia Regions (1, 2, 4, 5, and 9) indicated that housing was affecting their workforce and the ability to recruit workers.
- Employees in education, construction, and service sectors are struggling to find housing within their means.
- One focus group member provided an example in which tourism was negatively impacted in their region after temporary construction workers dominated local camping spots in mobile homes.

The lack of affordable workforce housing has led to workers either living outside the region or enduring long commutes, with negative impacts on job satisfaction and overall workforce productivity. At other times, housing pressures are created by renters or homeowners who fail to find housing that would typically be within their range of affordability and purchase housing intended for individuals with lower income—reducing the supply of affordable housing for those with lower income levels.

“There is very limited stock for our lowest-income population. The affordable inventory that does exist often gets taken up by households with higher incomes which creates these housing supply pressures.”

– Olivia Raines, Housing Program Manager, Central Shenandoah Planning District Commission

Demographic trends are also playing a significant role in talent attraction and housing demand across all regions.

- Younger generations are increasingly attracted to regions that offer quality schools, outdoor recreational opportunities, and revitalized downtown areas.
- The influx of migrants from other regions, particularly from larger metros and cities that are seeking a lower cost of living, impacts housing demand in more rural regions.
- In Regions 1 and 9, stakeholders mentioned concerns about housing for vulnerable demographic groups, including unhoused and previously incarcerated individuals.

“We have a very low cost of living, and we like to advertise that to attract people. Housing is a challenge nationwide and the rising cost of new construction directly impacts this cost of living.”

– Matt Miller, Director of Market Intelligence, Roanoke Regional Partnership

4.1.4. Housing Barriers Include Land, Infrastructure, and Workforce

Limited land availability impacts regions’ abilities to meet the housing and economic development needs of its population.

- Stakeholders mentioned land availability as a significant barrier to housing in seven of the nine GO Virginia Regions (all regions except 3 and 8).
- More urban areas (in parts of Regions 4, 5, 7, and 9) have struggled to find suitable land for housing as prime sites are often already developed.
- More rural areas (in parts of Regions 3, 4, 6, and 7) lack the necessary infrastructure to develop land.
- Much of the Virginia Beach area of Region 5 was described as “built out,” with limited land creating competition between housing and commercial development.
- Region 4 participants said land can be prohibitively expensive, further limiting the availability of suitable land for housing projects at an affordable price point.

Challenges related to infrastructure and transportation are commonplace across regions, both rural and urban.

- More rural GO Virginia Regions (1 and 2) lack adequate public transportation options, making workplace commuting difficult and adding to transportation challenges for workers and businesses.

- Issues with water, sewer, and broadband access are prevalent, particularly in rural areas of Region 3.
- In more urban areas, such as Region 7, infrastructure challenges arise due to competition between housing and commercial development over access and funding.

“Infrastructure funding is one of the biggest issues... water and sewer expansion really is a barrier.”

–Kristy Johnson, Executive Director, Industrial Development Authority of Halifax County

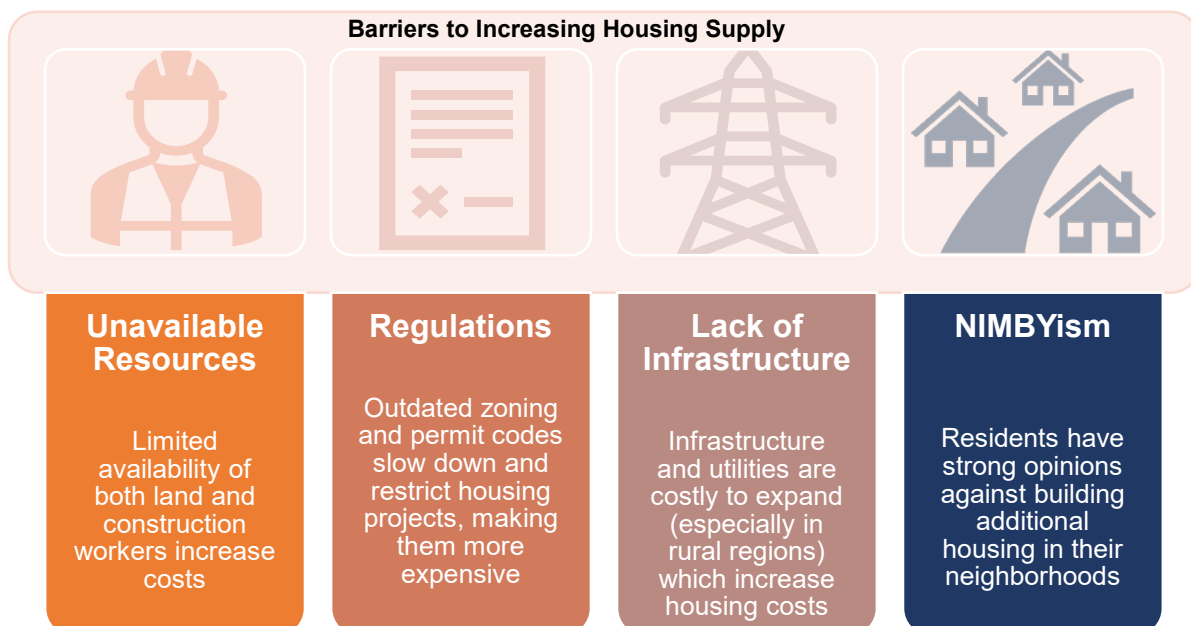
Construction workforce shortages are a concern in the majority of regions (1, 3, 4, 6, and 8). Businesses in these regions are encountering difficulties finding the appropriately skilled and trained workers, resulting in project delays or backlogs of projects. Already, stakeholders in Regions 1, 3, and 9 mentioned implementing efforts to address the workforce shortage such as trade scholarships or partnerships with local community colleges and businesses.

“What we were finding is that the construction businesses are so overwhelmed... because they just don’t have enough workers to be able to get these houses developed in our area.”

–Jenny Bolte, Director of Transitional Programs, New River Community College

Outdated ordinances, subdivision regulations, and zoning requirements are continually creating complexities and delays for housing projects.

- Government regulations pose barriers to housing development in a majority of regions (mentioned by stakeholders in all but Regions 2 and 8).



- Environmental regulations, such as stormwater permits and wetland regulations, contribute to the challenges faced by housing developers.

Overcoming “NIMBYism” (not in my back yard) and fostering community support for housing initiatives are ongoing challenges.

- Resistance to new housing development, particularly in rural areas, is a common trend, with a majority of regions (3, 4, 5, 6, and 7) identifying it as a significant barrier.
- Residents in these regions have expressed opposition to growth and multi-unit housing, citing concerns about changes to the community's character and impact on open spaces.

4.1.5. Collaboration Drives Economic Development Success

The level of collaboration between local planning departments, housing developers, and economic development organizations varies among regions.

- Some regions report successful collaborations (Regions 1, 2, and 5) while others (such as Region 8) note challenges in communication and information sharing.
- Efforts to improve collaboration and information sharing are seen as necessary to ensure that economic development efforts align with housing needs.
- In Region 7, the competition between housing and commercial development due to limited land availability impedes collaboration between housing and business attraction and expansion.
- In Region 4, localities like Henrico and Goochland have been proactive in planning for housing and infrastructure needs.
- In Region 3, stakeholders report phenomenal collaboration from DHCD and Virginia Housing in encouraging collaboration at a housing summit to address current and future housing challenges.

These key findings underscore the need to address housing issues and raise collaboration between various stakeholders—including government agencies such as economic development and planning departments, private developers, and local communities. By leveraging successful examples and innovative strategies, Virginia can position itself as a leader in coordinating housing and economic development, ultimately driving sustainable growth across the state.

- Successful coordination between housing and economic development has occurred in Virginia. Notably, the Amazon HQ2 project and the Housing Summit in Wythe County serve as promising models for integrating housing and economic development efforts.

of communication between developers and planners resulted in a mismatch between the cost of housing and what their workers were able to afford.

Participants recommended a network for open communication between stakeholders in the housing community such as builders, developers, and other experts to prevent these issues in the future. Currently, workforce training groups tend to work with localities to retain commuters and recruit outside talent in partnership with programs like VEDP's VA Talent Accelerator Program. Moreover, there have been increases in training programs in community colleges and high schools. Participants believe increased collaboration and information transparency between groups will improve housing efforts and promote economic development by attracting and retaining talent.

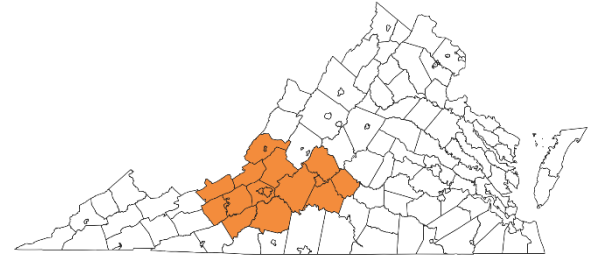
Participants reported residents and workers are seeking "Live, Work, Play" environments with walkable communities through the expansion of technology and businesses in the area. They also recommended mixed-use development such as Short Pump (in the Greater Richmond region) to attract a younger population and remote workers from areas such as Northern Virginia. Regional companies are reportedly considering how they can support housing and possibly build housing for employees. Consequently, there has been an emerging trend of utilizing unused spaces, with some businesses seeking to build second-story housing, and this has resulted in a slight improvement in housing prices.

Stakeholders noted governments in the region are starting to address housing issues by organizing forums and meetings to initiate development projects. Participants also mentioned a potential drop in construction costs as transporting goods becomes cheaper with counties adding roads. In terms of how state agencies can help further, participants suggested DHCD and Virginia Housing can provide technical assistance, access to capital, incentives for development in strategic areas, and data and visualization guidance. They also recommended private companies be more involved in the process.

4.2.2. GO Virginia Region 2

Links to Economic Development

GO Virginia Region 2 stakeholders state that without housing for their workers, existing companies cannot expand, and new businesses will not move to the region. In fact, participants described an increase in inquiries on housing in the region from potential new businesses, who ultimately decided to choose other regions at least in part due to housing concerns.



“I cannot attract business without more housing.”

– Beth Simms, Director of Economic Development, Franklin County

Participants stated issues such as home availability, community engagement, and data availability are linked to economic development. They partially attributed the difficulty of attracting firms to a lack of housing availability near new development sites or business parks, residents not considering housing a serious issue, and a lack of the types of housing data needed by communities to show they are prepared to address housing.

GO Virginia Region 2 stakeholders reported issues of home affordability and noticeable shifts toward high-end construction projects. They attributed this to builders in the region focusing on constructing luxury homes such as those around popular tourist area Smith Mountain Lake, while avoiding construction of affordable homes in other areas where there is less opportunity for profit (and greater risk of loss). This trend also appears in the rental market with high-end apartments accounting for most of the new construction. Outside of these markets, stakeholders reported most housing developers are not interested in building in the region due to a lack of robust population growth in recent years.

The lack of affordable housing exacerbates strain on people with employment barriers, e.g., those previously incarcerated, homeless individuals, and students who are struggling to find affordable apartments. In addition, a stakeholder commented, “I’m very worried about our working-class people,” when discussing the current \$1,300–\$1,800 monthly price range for an apartment rental. Housing preferences also play a significant role in population dynamics as seniors are leaving the region in search of better options for care and housing. Stakeholders reported the region has also experienced a “brain drain” from the exodus of college graduates and other highly educated workers. Most cite the lack of modern homes as a contributing factor. As a result, diminished demand and limited construction makes it more difficult for the region to retain construction and skilled-trade workers. Participants advocated for more consistent review of housing gaps and innovation to meet housing needs and match preferences.

Barriers to Housing Development: Current Residents' Resistance and Government Regulation

Current residents are often resistant to growth and reportedly have less interest in increasing housing density. Moreover, government regulations, such as health standards impacting septic tank permits and environmental standards impacting stormwater drainage permits, lengthen the development process. Developers also face challenges regarding local permitting and zoning regulations. Developers who overcome these obstacles are still unable to keep up with affordable housing demand due to workforce shortages mentioned above. Participants explained that the shortage is acute for more trained/skilled workers and suggest addressing this through providing scholarships or expanding the scope of employment to trained, previously incarcerated individuals. They also stated a need for public and political awareness of these barriers, and for more frequent collaboration among stakeholders to alleviate them.

What Local Stakeholders Would Like to See

Participants are working with different departments in housing programs to address these concerns. Economic development practitioners are tracking apartments and building permits in the area and resolving discrepancies where possible. They are also communicating with developers to understand their plans and integrate community impacts into them. However, participants stated difficulties working with planners, as they are resistant to changes and innovations that are not in line with existing regulations. This disrupts the opportunity for alternatives, such as smaller homes.

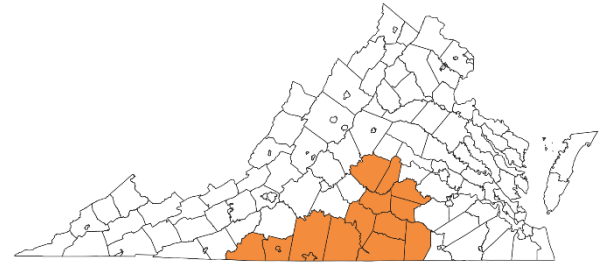
To advance economic development goals, participants agreed that housing development needs to play a more significant role. Currently, stakeholders report the region is seeing a bit of growth. This is due to movers from larger metros (mostly Northern Virginia) attracted by the lower cost of living. Participants specifically suggested providing affordable housing options near universities and rural areas to attract and retain workers. Housing development can also improve quality of life and prosperity, making the region more desirable for businesses and individuals.

When asked about possible solutions, participants suggested state and local groups collaborate to address housing needs and create more opportunities for economic development. Participants emphasized communication and coordination between governments and stakeholders to resolve confusion, address accountability issues, and educate residents on the importance of these efforts. Specific suggestions included prioritizing sustainability in housing development to ensure long-term viability, marketing available properties in coordination with workforce development needs, and conducting regional housing studies with experts and stakeholders to gain insight into ideas and best practices.

4.2.3. GO Virginia Region 3

Links to Economic Development

Recent Requests for Information (RFIs) from employers and economic development grant applications have ranked housing as a key issue to address. One stakeholder explained “housing and economic development are one and the same.” A lack of housing options makes it challenging to attract high-demand skilled workers and employers looking to expand. Potential businesses want to be associated with a growing community tied to a history of growing building permits and new construction. Participants noted the shortage of higher-end housing causing business executives to live outside the region. In fact, they reported the region losing talent to North Carolina as the state offers better housing options and amenities. Moreover, although the region is near several metros and has a large workforce within a 60-mile radius, the advantages are difficult to convey on paper as cities and counties are independent of each other.



GO Virginia Region 3 stakeholders stated that housing concerns have been intensified by national housing issues and now rank as the number one issue in and around Pittsylvania. Stakeholders reported housing prices and inflation increasing faster than wages, making affordability a major challenge for most residents. However, they pointed out that the degree of impact workers feel depends on both their wages and the industry in which they work.

Barriers to Housing Development: Zoning, Skilled Construction Worker Shortages, and Infrastructure

It is equally important to fund affordable, mid-level, and upper-level housing. A variety of options will serve the needs of a community’s diverse income levels. In addition, landing major companies at the Southern Virginia Mega Site at Berry Hill (3,528 acres) would necessitate new housing units for the thousands of workers at that site. However, several barriers make it difficult to develop housing in this region. For instance, local zoning regulations geared toward roadside residential housing are not compatible with large-scale housing developments. There is also a workforce shortage for skilled workers such as plumbers. Local initiatives aimed at promoting training programs to fill these gaps faced challenges due to difficulty in filling teaching positions. Additionally, participants found residents in the region openly opposing construction and housing expansion.

Despite these barriers, recent improvements to quality of life such as the addition of outdoor recreation centers and Danville’s River District revitalization have made the region more appealing to residents and migrants. Agriculture tourism projects like farms and farm-to-table initiatives have also increased the area’s appeal. As a result, participants noted new families moving to the area, with the migration and increased opportunities for business attracting new developers. The projected growth in employers and businesses along with the region’s relatively easy permitting processes and proximity to larger regions are drawing in new developers.

However, many new residents found that the older homes, lack of public transportation, and issues with utilities (water and sewer) do not meet their expected quality standards. The region lacks the infrastructure that residents look for, and developers are not willing to pay for the infrastructure. For instance, water and sewer utilities are non-existent in many areas and are costly to install, public transportation and hospital systems are inadequate, and there is an absence of retail establishments such as supermarkets and drug stores.

What Local Stakeholders Would Like to See

Stakeholders explained that there is a need for increased awareness of housing needs and affordability issues and offered suggestions. The Danville Housing Summit was specifically mentioned as a positive development that brought together people from different regions and sectors to discuss issues and bridge barriers. Stakeholders also cited successful efforts in applying PDC grants from Virginia Housing. They also suggested a task force made up of organizations such as state agencies, economic developers, and facilitators collaborating on housing by reviewing studies and data. They noted,

however, that when working with workforce boards, there have been fewer opportunities for collaboration as they typically do not include developers and planning commissions. Stakeholders suggested workforce boards can increase involvement to assist those in need of housing or facing challenges in retaining current housing.

Other organizations and community members can support coordination of housing and economic development. Stakeholders suggested organizations such as Danville Redevelopment & Housing Authority could continue developing blighted properties and working with programs such as HUD. Additionally, nonprofits and private industries can help support housing initiatives in areas where they operate and explore opportunities to expand their assistance. Banks can also offer financial support by covering a portion or all of the costs associated with housing studies and facilitate partnerships with developers. Furthermore, regional entrepreneurs may play a role by investing in the community and participating in the development/revitalization of downtown areas.

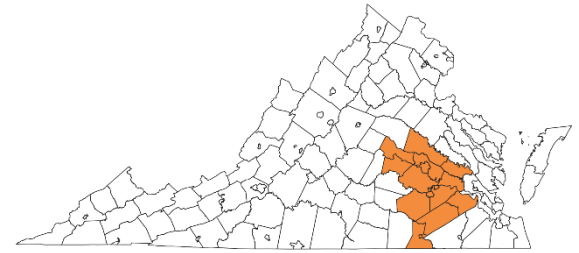
Stakeholders recommended initiatives such as governments streamlining the process for North Carolina contractors to obtain licenses in Virginia, educating the public on affordable housing, and providing funding for missing essential infrastructure. There have been efforts to retrofit and repurpose old buildings such as warehouses and schools into housing, and participants suggested providing incentives to maintain this increase. They cited cities providing financial incentives to private employers and localities utilizing enterprise zones to encourage development of single-family homes. As a result, private companies worked with housing and retrofit developers to increase housing supply and revitalize downtown areas, as demonstrated in Danville, where Caesars Virginia Casino has undertaken retrofitting old mill houses for permanent and temporary housing.

Participants urged all involved to consider public sentiment and community preferences before acting, as they significantly influence the success of housing, economic, and community development. They stressed the importance of both organizations and the public recognizing the link between economic growth and housing and understanding the importance of housing availability for attracting workers. Overall, they emphasized creativity and collaboration in addressing the issues of housing and economic development.

4.2.4. GO Virginia Region 4

Links to Economic Development

With respect to economic development, participants considered that housing quality, availability, and affordability are important indicators of the region's quality of life, which influences business location decisions. They further explained that without more housing, population growth is limited. This deters companies looking to invest in areas with noticeable growth that can support their business in the long term. As one stakeholder summarized, "they don't want to go to a place that isn't growing and isn't investing [in] itself and people." In fact, small businesses report wanting to be in a growing location while large businesses report concerns about losing employees due to long commutes. Stakeholders also noted that the high cost and low availability of housing increases employee stress and reduces productivity. However, another stakeholder responded "not yet" when asked if they had any concerns about the region's economic and housing developments.



Participants explained that improvements in housing will help contribute to the narrative that their region is the place more people and businesses want to be. They highlighted the need for closer ties between economic development goals and housing. Supporting the region's mixed-use development and walkable communities through improvements will attract other demographics, talents, and businesses.

"You can't grow your population without more housing... we've made a big focus on place making and place making is not just housing. It's creating places where people want to be."

— Andrew Larsen, Managing Director, Henrico Economic Development Authority

Barriers to Housing Development: Rents, NIMBYism, Regulatory Approvals, and Infrastructure

Stakeholders in GO Virginia Region 4 observed that the housing situation in the region has only gotten worse in recent years. They stated the average cost to buy a newly constructed home is currently over \$500,000, with prices continuously trending upward. The regional rental market is also experiencing issues with low apartment vacancy rates and average monthly rent surpassing a typical mortgage payment.

Participants identified various challenges and obstacles to increasing housing supply and affordability in the region. First, they mentioned NIMBYism (not in my back yard) where residents are opposed to new development. Moving forward, stakeholders suggested balancing urban amenities and community character to alleviate such concerns. Second, areas such as Henrico County lack land for development, contributing to the shortage of available housing and uptick in prices. Because of this, they have seen a trend in downsizing. Community workers (e.g., firefighters, teachers, and nurses) also living outside the area. Third, participants observed more than half of companies involved in constructing rental units are coming from outside the region due to the shortage of labor. One stakeholder attributed this shortage to a lack of affordability, stating "they [companies] can't find workers in the area because the workers don't live there, because they can't afford to."

Despite demand rising for mixed-use and multi-unit housing, approval for development cases seem to be scarce. Even approved parcels are not being developed due to the high costs of developing infrastructure and installing utilities (i.e., water and sewer). Similarly, stakeholders report roads in Region 4 need to be repaired, but localities struggle to obtain funding and assistance from the Virginia Department of Transportation. Another major influx has been from individuals

aged 55+ in more rural/suburban parts of the region, which placed further strain on the region's fire and rescue services. Finally, other government regulations, including environmental laws, local zoning restrictions, and construction material requirements make the process longer and more expensive for developers. In turn, this drives housing prices upward.

What Local Stakeholders Would Like to See

Participants highlighted the involvement of private companies in addressing housing issues in other places, citing Amazon's HQ2 project in Northern Virginia, Elon Musk's town in Austin for on-site employee housing, and other businesses offering financial assistance for investing in housing. They recommended private businesses in the region follow these examples and look for other ways to help employees such as housing allowances or temporary housing assistance. Additionally, state and local governments need to provide funding and work with nonprofits to help coordinate and educate all actors on the importance of solving housing issues. Furthermore, each region could dedicate a point person to allow for easier communication.

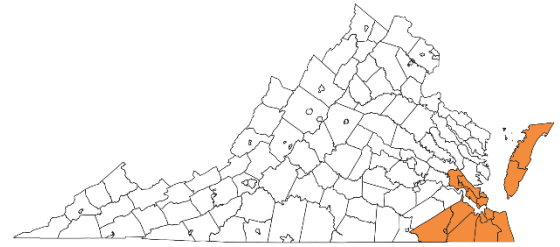
Counties in the region such as Henrico and Goochland have been proactive by having conversations with the planning department, assessing market needs, and developing strategy. There are discussions about converting offices into residences or lab space to account for decreased need in office space due to remote work. This is especially appealing for older office space that is not attractive to firms, opening up the possibility for needed new commercial space. Other stakeholders suggested having discussions regarding redeveloping old commercial properties like Virginia Center Commons and Regency into housing.

However, participants noted an inconsistent degree of proactivity among localities in the region. Participants emphasized the importance of aligning economic development goals and housing growth among localities. They also explained the need for regional development organizations to collaborate and match housing affordability to wages. Critical to achieving this, there needs to be accurate market data and tools to develop market-focused solutions that meet the goals outlined.

4.2.5. GO Virginia Region 5

Links to Economic Development

In general, stakeholders agreed that there is a high correlation between overall economic health and housing. They stated that in the past, the region's low cost of living was a selling point in attracting businesses, but rising home prices are eroding that message. One stakeholder reported a Hampton Roads company struggled to fill senior executive positions based on where executive-level housing is built and had to expand their search outside the region. A manufacturing firm also struggled with worker retention due to housing strain. In general, rising housing costs are pushing workers away from where their jobs are, thus exacerbating regional transportation problems and increasing commuting costs.



Participants stressed that housing improvements will help attract and retain skilled workers and stimulate local businesses with more residents. One stakeholder explained, “You bring more people into the area, you have more people that need to buy things from local businesses. You can stimulate more local businesses in the area. The two are absolutely linked.” Recently, companies have taken measures such as offering on-site childcare and other incentives to return to the office and to attract and retain workers. In Virginia Beach, the Rebuild America nonprofit purchased homes that had fallen into disrepair and remodeled interiors to attract and house families. Using one or two of the houses as models of what can be done in a neighborhood encourages others to move in and opens the possibility of additional remodeling work for a nonprofit or for-profit organization. There were also projects like Franklin’s Hayden Village Center that converted old schools into housing. These projects have seen improvement in rebuilding communities of color and increasing economic mobility—but stakeholders emphasized more needs to be done.

Stakeholders in GO Virginia Region 5 reported significant price increases and shortages in housing, leading to affordability issues for workers in the manufacturing and hospitality industry. Different cities in the region are facing different challenges. For instance, in the City of Hampton, developers are shifting toward more luxury apartments with higher profit margins, and away from much-needed affordable homes (which have lower return and greater risk). The City of Norfolk has numerous older homes. However, they do not meet the needs of residents and are costly to renovate. The city also lacks affordable housing for low-income and minority residents. Stakeholders also note that multifamily housing is booming while single-family housing is lagging across the region.

Barriers to Housing Development: Land Scarcity, Regulations, Zoning, and Financing

Stakeholders identified several barriers regarding housing development. They cited a scarcity in land available for development due to limited options and high competition from commercial developers. Furthermore, NIMBYism is an issue as residents oppose too much growth and development of high-density low-income housing, citing reasons like associated traffic and parking issues. Moreover, government regulations such as planning and zoning policies and environmental requirements slow housing development and add to the cost. Developers also face high interest rates, making it even more expensive to finance construction projects. In fact, participants noted the costs of demolition, rebuilding, and environmental remediation growing within recent years, further disincentivizing developers.

What Local Stakeholders Would Like to See

Stakeholders suggested policymakers need to consider current housing demand trends when making decisions. For instance, the increased popularity of remote work increases the importance of housing to both workers and businesses. Therefore, mixed-use developments, traditionally allowing people to work close to their homes, are insufficient in addressing current issues. In addition, their research shows that there is an emphasis on planned walkable communities, developing around the environment, and housing availability along the shorelines.

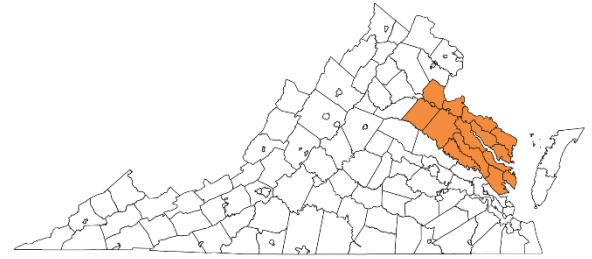
Several ways state and local governments can help housing and economic development were mentioned. First, they can offer tax credits to increase housing supply. Second, they should encourage both education in and communication between localities. Participants suggested providing incentives or home financing—specifically for teachers—to ensure workers are able to live in the community. Additionally, participants highlighted current progress being made with localities stripping down zoning codes to create flexibility. However, challenges still arise when actors must coordinate between multiple counties or cities, and stakeholders emphasized communication is essential. Third, the local Chamber of Commerce can place housing at a higher priority and provide a clear definition of what affordable housing means.

Stakeholders reported that due to the typical clash between more flexible/adaptable economic developers and more risk-averse planning departments (something that was emphasized in discussions with several other regions), housing and economic development goals sometimes conflict. Stakeholders suggested more communication and collaboration between the two groups. Moreover, participants emphasized that private businesses are needed to help with housing issues by incorporating housing into expansion plans and contributing financially to development. To achieve their goals, regional actors should provide creative incentives for early conversations regarding housing development projects—making sure that businesses also participate. Overall, stakeholders recommended all actors prioritize housing and increase their collaboration and participation.

4.2.6. GO Virginia Region 6

Links to Economic Development

Focus group participants observed that industrial development has changed housing demand. Located between Washington and Richmond metro areas, Region 6 has experienced developments in warehouses and distribution centers, as well as data center and health care industries. Workers in these industries have intensified the housing shortage in the region, and housing remains a sizeable issue when recruiting talent.



“The problem is there is no infrastructure. Absolutely none. So where do we put these people?”

– Nick Minor, Director of Economic Development and Tourism, King George County Economic Development

Economic development professionals in the region are recognizing that housing development is playing a critical role in economic development in the region. Without adequate housing for workers, businesses will not be attracted to the area. Heavy industrial projects consider housing options before moving into regions because they do not want to disturb the public. Further, there is a need for diverse housing options, as workers in different fields have varying income levels and housing preferences.

Focus group participants commented that localities are facing varied challenges in terms of home supply. King George County suffers from a lack of affordable homes and no diversity in the housing stock. The City of Fredericksburg has experienced healthy home development but is maxed out on residential land. In other areas of the Northern Neck region, there is shoreline available to construct high-end homes but no development of affordable housing options.

Barriers to Housing Development: Land Scarcity, Regulations, Zoning, and Infrastructure

In terms of barriers to housing production, participants mentioned there is limited developable land, particularly in urban areas. When land is available, there is inadequate infrastructure in place—such as water and sewer lines. Developing this infrastructure is costly, and passing these costs along to developers reduces potential profit margin and further limits the options for affordable housing. Further, stakeholders reported that zoning regulations and environmental permits are difficult to navigate and obtain, construction workers are in low supply, and affordable housing for workers is hard to find.

What Local Stakeholders Would Like to See

Participants had limited examples of best practices, but mentioned that in recent RFPs for manufacturing facilities, there are more questions about building housing onsite or nearby. Participants discussed how state and local governments can help by offering financial assistance, such as low-interest loan programs, and incentives for developers to keep prices lower. They also mentioned the need to increase public awareness of the issue, and the need for coordination with Virginia Housing and local communities. Local governments can work to change zoning and regulatory processes, making it easier to address housing issues.

Participants discussed in greater detail the potential of using a Public-Private-Partnership (PPP) to help with the housing issue. PPPs can be used to develop key infrastructure, such as the Dominion Energy broadband project that extends reliable internet connection to rural areas. The initiative involved private partners Dominion Energy, Northern Neck Electric Cooperative, and All Points Broadband. Public partners included the Northern Neck Planning District Commission,

Northern Neck counties, and state and federal granting agencies. Participants agreed a similar model could be expanded to construct housing directly. Delivering broadband access to over 7,000 households and businesses in the region required public and private partners to work together, pool their finances, and leverage investments. The project received federal and local funding, as well as private investments.³⁶

“Why couldn’t you follow that same model to tackle the housing problem, where you have private partners and public partners all coming together, pooling their resources, and working together to create affordable workforce housing.”

– Jerry Davis, Executive Director, Northern Neck Planning District Commission

Currently, the focus group participants work closely with local planning departments and housing developers in the region to advocate for projects and offer assistance with proposals and developments. Participants emphasized that there needs to be a community strategy related to housing, which can avoid sprawl and preserve green spaces. Specifically, there is a need for high-density development in towns.

Participants noted opportunity zones are a useful tool for housing development, but the impact is not significant yet. Large corporations, but not local developers, have inquired about opportunity zones. As Jerry Davis, Executive Director of the Northern Neck PDC stated, “We have opportunity zones, but I’m not aware of one project that has occurred because of that. I think the whole program is so complicated that nobody understands how to take advantage of it, to be honest.”

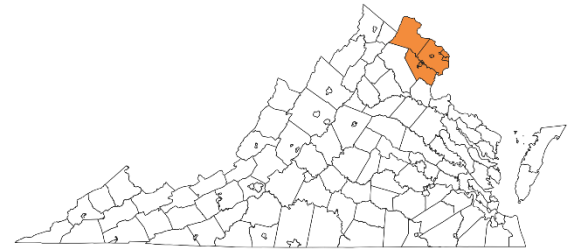
Federal, state, and local governments need to work with builders and developers to provide funding, ease zoning restrictions, and overcome barriers to affordability. Coordination of these parties is necessary in order to overcome such an overwhelming challenge, as demonstrated in recent infrastructure projects. Stakeholders emphasized that local government officials will need to stand up for housing and convey its importance for economic development in order to unite everyone under a common goal and guide a successful partnership.

³⁶ Virginia DHCD, “Governor Northam Celebrates Groundbreaking on Northern Neck Broadband Project,” July 8, 2021, <https://www.dhcd.virginia.gov/index.php/governor-northam-celebrates-groundbreaking-northern-neck-broadband-project>.

4.2.7. GO Virginia Region 7

Links to Economic Development

Focus group participants reported that housing is increasingly being viewed as an economic development issue and is a shared concern across all locations in Northern Virginia. Economic development officials in the region have proactively added housing information in their proposals to attract businesses, making companies aware of it from the start, rather than waiting to be asked.



“Housing has become a critical component of attracting businesses.”

– Ryan Touhill, Director, Arlington Economic Development Partnership

Participants viewed housing as an essential component to workforce attraction and retention. Economic development requires people to show up to work, so nearby housing is necessary, especially in congested areas like Northern Virginia.

The pandemic has led to behavioral changes with various housing implications. Quality of life is becoming an important area of focus, and housing plays a key role. As Christina Winn, Executive Director for Prince William County Department of Economic Development stated, “Because the workforce is so tied to their quality of life and protecting that at all costs, I think as economic developers we have to have a bigger emphasis on quality of life. Housing is the foundation of that. Where you live really says what your quality of life is going to be.”

Finally, housing is linked to regional economic development as it is part of the unified story of the region. Along with transportation, culture, schools, entertainment, and wellness, housing is a critical component of the storyline in marketing the region to potential businesses and workers. Regional housing and economic development coordination is seen as critical in this region. According to Stephanie Landrum, President and CEO of the Alexandria Economic Development Partnership, “Our individual community stories are almost always strengthened when we broaden the lens to a regional one. We need to be telling the same collective story when it comes to housing.”

Barriers to Housing Development: High Costs, Permitting, and Infrastructure

The Northern Virginia region is generally viewed as unaffordable, but relatively high wages can offset high housing costs. In addition, there are encouraging developments in the region. Historically, Northern Virginia has preserved the feel of single-family neighborhoods; however, there is a shift in focus towards multifamily housing developments, with 20,000 units in the pipeline.

The high costs associated with home building—including interest rates, labor costs, and materials costs—is an important barrier in the current economic environment. Lack of available land affects home building in urban areas such as Alexandria and Fairfax. To increase home supply in those areas, efforts are focused on redevelopment of available parcels; but the costs of redevelopment can be high. Community costs also become barriers. Residential development brings educational and social service expenses, which can be substantial for local governments and taxpayers. In more rural areas of the region, land is available; but infrastructure is underdeveloped. It is expensive to expand water and sewer services to rural areas while adhering to environmental requirements. Rural areas are also subject to widespread NIMBYism as many residents do not want new housing developments to take over open spaces. Most prefer single-family housing over multifamily units. Further, the process of navigating permitting before a project breaks ground can cause uncertainty in costs and delays in construction, further increasing costs.

These barriers have restricted the housing supply, which is unable to keep up with a changing demand. The need for senior housing is increasing, Millennials and Generation Z are moving out of the I-495 Beltway into suburban areas in Fairfax and Prince William counties, and the student population is growing with the buildup of Virginia Tech and George Mason University's graduate campuses. A growing post-pandemic workforce is demanding single-unit buildings as they work from home, and stakeholders indicated that an industry shift in the region away from federal government work to the tech industry is increasing housing demand.

What Local Stakeholders Would Like to See

Participants suggested several zoning changes may increase home supply in the region including allowing more density and diversifying the types of housing units available. Arlington recently passed a "missing middle" zoning ordinance which allowed small multifamily buildings (two to six units max) in previously single-family-only zoning. Alexandria is considering similar decisions.³⁷ Prince William County is updating its Comprehensive Plan which includes the creation of small area plans to increase density in high-growth employment areas.³⁸ Similarly, participants discussed the need to balance housing and commercial development and emphasize mixed-use development. Alex Iams, Executive Vice President for Fairfax County Economic Development Authority, says, "Given the way the market behaves now, maybe almost every mixed-use project should have a housing component to achieve its full potential. That almost becomes a given." Additionally, participants mentioned the public land owned by Metro Authority (regional organization for greater Washington regional transit system) can be utilized for housing, the regulatory approval process can be made more accessible, and localities can use small area plans to streamline development in designated areas.

Regional jurisdictions are becoming more creative by actively seeking support from private partners. One example is the Washington Conservancy Foundation, a corporate investment organization which works to preserve affordability by funding low-interest loans for nonprofit housing developers. Additionally, jurisdictions are using public land for development and shifting the focus from retail and office development to mixed-use (which includes housing). Local governments are reportedly working together better in recent years, and the DMV (District of Columbia, Maryland, and Virginia) has increased regional coordination, as projects in one jurisdiction affect other parts of the region due to the high volume of commuters in the area.

Stakeholders reported that local planning departments and economic development departments are working together closely on various projects, with a collaborative and cohesive approach. The region has established strategies including regular meetings between departments and expectations for different groups to cooperate.

Looking at possible solutions, participants suggested local and state governments can help with funding diverse housing projects and developing infrastructure and utilities. Further, governments can streamline processes to help reduce regulatory barriers for development. Finally, organizations need to continually emphasize that housing is crucial infrastructure for economic development.

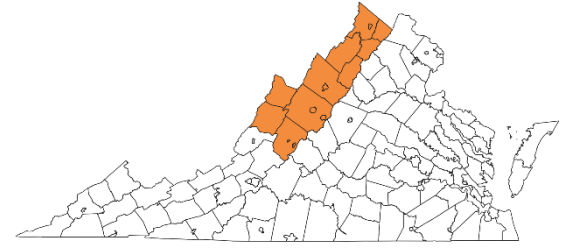
³⁷ Teo Arnas, "Strapped for more housing, Alexandria looks to rework zoning rules", The Washington Post, March 21, 2023, <http://www.washingtonpost.com/dc-md-va/2023/03/21/alexandria-zoning-affordable-housing-planning/>.

³⁸ Prince William County Virginia Planning Office Website, "Small Area Plans", accessed August 14, 2023, [Small Area Plans \(pwcva.gov\)](https://www.pwcva.gov/Small-Area-Plans).

4.2.8. GO Virginia Region 8

Links to Economic Development

Participants agreed that housing plays a role in economic development but did not find it to be a top issue, as regional businesses tend to hire from the existing workforce in the area. Patrick Barker, Executive Director of Frederick County Economic Development Authority, said, “If the employers aren’t able to hire individuals because of housing, then that voice has not gotten loud enough to reach my ears or the EDA Board’s ears.” In other parts of the region (including Augusta, Bath, Lexington, Rockbridge, and Highland counties), home affordability and availability is becoming a greater issue. The lack of affordable housing is contributing to employees leaving their employers for minimal wage increases.



In more rural areas, lack of available housing inventory affects community assets such as schools and health care facilities and has a larger effect on economic development and population growth. The link between economic development and housing is particularly location-specific in the Shenandoah Valley. In Bath and Highland counties, medical centers and school systems are struggling to recruit and retain talent due to lack of affordable housing inventory. Businesses are losing workers to areas where they do not have to commute for an hour in order to find an affordable place to live.

“Where I’m really currently seeing the link more closely between housing and economic development, at least for our region, is in some more rural areas... The Shenandoah Valley is more insulated than other places in Virginia from these housing pressures, but I think in planning for the future, so that we don’t become a place where people have to leave to find affordable housing, it’s important to plan for the housing that we want our workforce to have long term.”

– Olivia Raines, Housing Program Manager, Central Shenandoah Planning District Commission

Barriers to Housing Development: Zoning, Construction Worker Availability, and Financing

Focus group participants have observed a desire for affordable housing recently; however, there is a mismatch between housing supply and demand by housing type. The City of Waynesboro is reportedly focused on single-family housing, but demand for rentals and townhomes is increasing. In terms of housing supply, mobile and manufactured homes could be an important area of focus as they meet workforce needs and income levels. However, such housing units in the region are restricted due to lack of ordinances to support their growth.

Further barriers to housing development in the region include the costs associated with home building, a shortage of builders and skilled construction laborers, and high interest rates. Due to high costs, builders focus on high-end construction because affordable housing is less profitable. In Frederick County, close to 14,000 homes were approved, but there is a lack of demand from population growth and from developers looking to build. Concerns of economic slowdown and a lack of incentives such as tax breaks create further barriers.

“It’s the same cost to develop an acre of land for a lower cost housing unit as a premium housing unit. If you’re a builder who can sell in a premium market, what’s your choice?”

– Jay Langston, Executive Director, Shenandoah Valley Partnership

Awareness of the housing issue is being brought into focus in the region, but there are no signs of home affordability improving. Mortgage rates remain high while wages in the region are low. New developments in the region are not affordable for low-income workers, and current affordable housing options lack public transportation for workers.

What Local Stakeholders Would Like to See

Focus group participants currently have a limited role in coordinating housing and economic development, as housing is not a primary concern, and planners and workforce developers are primarily approached after a development is in the works. When involved, they focus on workforce issues, but recognize housing is needed to retain and recruit talent, and that it is important to have diverse and ample housing options.

“What we’re seeing is that people are just moving around instead of new workers coming into the workforce. What exists in Virginia already is the reentry population or people that need a lot of stability before they’re ready to enter the workforce. Housing is one of those essential stability points that they need before they can enter the workforce, and it’s not there, so we’re basically all fighting over the same people who already have housing and not serving the people who don’t.”

– Tristan Walters, Director of Operations & Workforce Centers Manager, Virginia Career Works Shenandoah Valley Region

Local governments and private companies in the region are incorporating innovative approaches to address housing issues. The Omni Homestead Resort in Bath County directly provides seasonal housing for its workers. Washington and Lee University provides financing for employees to purchase homes. Bluestone Town Center in Harrisonburg was highlighted as a walkable community that incorporates on-site childcare and a tiered rent system for residents.³⁹

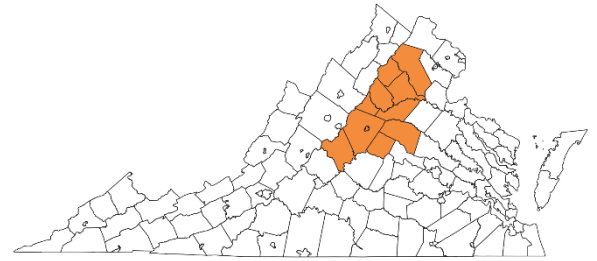
Stakeholders suggested that state and local governments can help with housing concerns by making it easier to create ample and diverse housing stock throughout the region. More specifically, the Zoning Initiative by Housing Forward Virginia can provide guidance and review of older zoning policies and offer recommendations for improvements. Additionally, governments can provide financial assistance. Stakeholders in the region praised the recent PDC grants from Virginia Housing and expressed that additional rounds of funding would be helpful. Further, they reported a need for funding to provide emergency housing for temporary workers.

³⁹ Harrisonburg Redevelopment & Housing Authority, accessed August 2023, [Bluestone Town Center - Harrisonburg Redevelopment & Housing Authority \(harrisonburgrha.com\)](https://www.harrisonburgrha.com).

4.2.9. GO Virginia Region 9

Links to Economic Development

Focus group participants believe housing plays a crucial role in economic development because it impacts the region's ability to attract and retain workforce and businesses, and it affects the long-term success of businesses. Stacy Pethia, Assistant Director of Housing for Albemarle County, said, "Conversations with some local employers, particularly ones with entertainment and service businesses, have told me that they are beginning to have difficulties, particularly retaining their employees." Affordable housing can allow for more discretionary spending and the support of local businesses. Businesses perceive the lack of affordable housing as a serious issue that affects business location decisions. Large companies moving to the region are concerned there are not enough houses for the workforce, and stakeholders reported examples of those who have chosen larger localities due in part to these concerns.



Housing issues have reached a point where a collective effort is needed to address the affordability crisis. Residents are being displaced, so a realignment of goals is needed to keep people in the region. Stakeholders report that while Virginia Housing grants are useful to offset some of the costs, residents' debt is going up as the rental break from the pandemic is ending. An opportunity zone in the City of Charlottesville presents a chance for economic development but the complexity of the regulations limits its use.

Home affordability issues are especially acute for workers in the entertainment, tourism, and service industries, as stakeholders indicate that wage increases in those industries are not keeping up with home prices and rent increases.

Participants are working with employers on several projects to help business attraction. The University of Virginia is working with companies who are interested in talent development and has filed a rezoning application for North Fork Research Park, including residential structures. The Main Street Program is connecting housing, places of employment, and downtown communities through the development of mixed-use projects.

Barriers to Housing Development: Land Availability, Competition with Commercial Development, Zoning, and Infrastructure

In Albemarle County, the pace of new construction is finally picking up, but growth in more rural areas is slower. The City of Charlottesville has limited land for residential development and lacks incentives to build affordable housing. One option for increasing the housing supply is to rehabilitate older buildings; however, these developments are usually reserved for high-end homes rather than affordable housing.

"People are flocking to the area from DC and from other states, because it's a wonderful place to live with a small town, and it has amenities, and it's close to DC and to Richmond. People want to live here, and they're willing to pay a lot of money for homes. If you build it, they will come, and they are coming, so, there's just not a lot of incentive for developers to actually build things that are more reasonable for the folks who already live here."

– Focus Group Participant

Barriers to housing include limited available land for development, competition between home and commercial development for land, complicated zoning and approval processes, and high costs of home building. The city and surrounding

counties charge unreasonably high fees for utility connections, especially for higher numbers of units. Further, high property taxes make home affordability difficult. Stakeholders report there is a lack of funding for affordable housing in the area, as HUD funds are limited and PDC development grants provide only some incentive for affordable housing. Getting materials for construction remains a challenge as the supply chain is still backlogged. Labor and construction costs are high, as well as interest rates. Participants also perceived a lack of education around housing. Sara Morton, Regional Workforce Director for Virginia Career Works Piedmont Region, asked, “While we’re building these new affordable housing units, what are we doing to also educate individuals about homeownership?”

Demographics in the area are changing and driving demand for different housing types. As the senior population is increasing, more affordable assisted living communities are needed. Stakeholders report residents feel they have been pushed out of the region due to gentrification. Homelessness in the region is rising, and there is increased migration from the Northern Virginia area. Workers in the service industry and University of Virginia employees are both commuting from farther away due to high housing costs closer to work. Participants suggested salaries need to be reevaluated, as they do not match the cost of living in the region. Jennifer Little, Regional Planner at Rappahannock-Rapidan Regional Commission, stated, “We have individuals saying that they’re looking for housing. They just simply cannot find it. There just simply are not enough units available, let alone units that they can afford.”

What Local Stakeholders Would Like to See

Current best practices in the region focus on affordability issues. Private companies are offering employer-assisted programs to help with down payments. Efforts are being made to build workforce housing specifically for employees such as firefighters and teachers to counter the high turnover rates in the region.

Stakeholders suggested state and local governments can help with funding for housing in the region. There is a need for flexible, discretionary spending, supplementary programs that address households not currently qualified for assistance, and access to federal grant funds. The region also has a wealth of nonprofit organizations which could be more focused on the affordable housing issue. Finally, the University of Virginia is a major employer in the region and could be more involved in the community as a partner in addressing these issues.

4.3. Recommendations from Stakeholders

As an emerging issue, stakeholders had limited rigorous best practices to offer, but provided several suggestions. GO Virginia Region 2 emphasized the crucial role of housing development in attracting and retaining workers, particularly in essential industries such as education. Collaboration between local and state groups was deemed essential to address housing needs and create economic opportunities to attract said workforce. Suggestions included prioritizing sustainability, conducting housing studies, and hosting housing summits to facilitate coordination. Similarly, Region 9 emphasized the connection between housing and workforce recruitment, with programs incentivizing job training and higher education. They also highlighted employer-assisted programs for housing. Regions 8 and 6 expressed the need for high-density development and community strategies to avoid urban sprawl. They also mention the importance of addressing workforce shortages in the construction industry.

The stakeholders across the GO Virginia regions shared common themes in their recommendations for addressing housing priorities and involving various organizations. They consistently called for support from state and local agencies, emphasizing the need for funding, technical assistance, and streamlined processes. Nonprofit organizations were seen as crucial partners in housing initiatives, and the private industry was recognized for its expertise and potential contributions.

Collaboration and coordination emerged as a common trend among the GO Virginia regions. Region 1 emphasized building a network with the housing community to create walkable communities and attract a younger population and remote workers. In Region 2, stakeholders stressed the importance of collaboration among local and state groups to address housing needs and promote a unified approach. Region 7 also highlighted the need for partnerships between private companies and housing developers to meet diverse housing needs. Region 7 showcased private company involvement in affordable housing programs, exemplified by Amazon’s support for affordable housing properties and cooperation with the Metro Authority for local workforce transportation. These “Public-Private Partnerships” (PPPs) were recognized as effective approaches in other regions as well.

“Our individual community stories are almost always strengthened when we broaden the lens to a regional one. We need to be telling the same collective story when it comes to housing.”

– Stephanie Landrum, President & CEO, Alexandria Economic Development Partnership

Infrastructure development was a key recommendation across several regions. Region 6 outlined the potential of using the PPP model for infrastructure development, as implemented in community broadband expansion projects. Region 5 also emphasized the need for infrastructure funding and coordination among localities and citizens. Region 1 highlighted the significance of infrastructure investments, particularly for broadband and transportation, to support an existing mega-site development.

Regions 1, 2, and 4 in Virginia specifically mentioned the importance of matching housing growth rates with economic development goals. They emphasized the need for accurate market data and tools to develop market-focused solutions. In Region 4, aligning economic development goals with housing growth rates in each locality was emphasized.

Redevelopment of old housing stock and mixed-use developments were also commonly recommended strategies for stimulating economic development. Access to funding and financial assistance was another recurring theme. Region 3 emphasized the need for funding from state and local governments to support essential infrastructure development. Region 8 named grants from Virginia Housing and other government financial assistance programs as recommendations to

address limited homebuyer resources. In Region 4, stakeholders stressed the importance of allocating resources and engaging all stakeholders to overcome regulatory challenges and facilitate housing development.

While there were similarities, each region still had unique concerns and specific recommendations:

- Region 1 stakeholders highlighted the importance of involving private industry and expanding technology and businesses in their region.
- Region 2 emphasized communication and coordination among stakeholders.
- Region 3 suggested streamlining the process for contractors in nearby states to obtain licenses in Virginia, as the requirements are very similar.
- Region 4 focused on coordination, education, and individuals dedicated to specifically managing housing issues.
- Region 5 stakeholders highlighted the need for clear definitions of affordable housing and increased communication among localities.
- Region 6 discussed financial assistance and zoning improvements.
- Region 7 called for funding, streamlined processes, and the use of state-owned land for housing.
- Region 8 emphasized diverse housing options and the importance of zoning initiatives.
- Region 9 focused on funding, flexibility, and involvement of nonprofit organizations and private employers.

Overall, stakeholders emphasized the significance of collaboration, coordination, and financial support from state and local agencies. They recognized the role of nonprofit organizations, private industry, and regional entrepreneurs in addressing housing priorities. While specific ideas varied, the common recommendation was to ensure adequate and affordable housing options to support economic development and improve the quality of life in their respective regions.

5. Best Practices and Strategies

The problems highlighted in the previous section should serve as the starting point for rethinking how each GO Virginia region and the entire Commonwealth approaches housing and economic development. When drafting a strategic plan, it may be useful to look at examples of policies that have worked (and those that have not) to capitalize on the experience of other regions. The best practices identified by Chmura came from the literature on housing and economic development, industry groups such as the International Economic Development Council (IEDC), and the discussions with stakeholders engaged in this project. There is evidence of a number of successful cases of integration of housing and economic development strategies.

Overall, most best practices and innovations are based on the following approaches:

- Integrating strategic plans for economic development and housing
- Addressing workforce and rural housing needs with grants and funding programs
- Revising zoning regulations to improve affordability
- Redeveloping existing structures and supporting mixed-use developments
- Improving communication between community and economic development stakeholders
- Exploring public-private partnerships

These principles each aim to boost affordable housing options, improve quality of life, attract skilled workers, and foster economic growth in the GO Virginia regions. Promoting mixed-use developments, repurposing old buildings, and providing incentives for developers were also commonly mentioned strategies. Collaboration between local and state entities was highlighted as a crucial aspect of addressing housing needs and creating opportunities for economic development.

5.1. Integrating Strategic Plans for Economic Development and Housing

There are examples across the U.S. of strategic plans which explicitly integrate housing and economic development. These efforts are very recent, thus it is too early to assess their effectiveness; however, they clearly point to a growing trend in how to best approach housing and economic development. Virginia is leading the way in this regard. The state DHCD is housed under the Secretary of Commerce and Trade, which will better facilitate coordination between housing planning and economic development priorities. The DHCD has been tasked with periodically conducting a housing needs assessment (at least every five years). These reports present a key opportunity to incorporate insights from the VEDP, regional PDCs, and Economic Development Authorities with the goal of coordinating housing and economic development.

North Carolina also uses housing as a strategy in the statewide economic development plan.⁴⁰ Similarly to Virginia's existing agency, the North Carolina plan created an office of Housing and Community Development within the Department of Commerce to coordinate statewide housing agencies and policies. The agency is tasked with:

- Conducting an assessment of housing challenges in the state to identify programmatic and funding gaps
- Coordinating disparate statewide housing agencies and policies
- Examining the role and relationship North Carolina's transportation system plays in affordable housing across the state and proposing better solutions for connecting communities and employment centers

⁴⁰ North Carolina Department of Commerce, "First in Talent: Strategic Economic Development Plan for the State of North Carolina," 2021, accessed February 28, 2023, <https://www.commerce.nc.gov/media/4086/open>.

The plan highlights that these actions will help local communities become more attractive to potential businesses and residents. Similarly, Virginia's DHCD can take a stronger role in coordinating housing policies with economic development goals as discussed above in the periodic housing needs assessment.

In Virginia, PDCs have been increasingly working with economic development agencies in a more intentional way. Examples of regional cooperation include:

- Recent housing summits held in both Southwest Virginia and Danville
- Central Shenandoah PDC's organization of a housing focus group that includes local and regional economic development professionals and meets regularly
- Virginia Economic Development Association's addition of affordable housing to its policy platform

Economic development groups across Virginia are also taking a more deliberate role in purchasing property with the intention of renovating it into mixed-use developments. This has occurred in Pennington Gap, Wytheville, Brunswick, and Marion. Related, the Loudoun County Chamber of Commerce is hosting a summit on housing and economic development. Scott County EDA is leading a feasibility effort to work with a developer to assess the potential redevelopment of EDA-owned property, and Franklin County is using Virginia Housing funds to create a mixed development concept in an old industrial park. Economic development in Lee County is also taking the lead on community engagement and design of housing to support the Lincoln Memorial University College of Veterinary Medicine.

A recent study in Ohio builds on the fact that housing has to become an integral part of any economic development plan due to the influence on corporate location decisions.⁴¹ The study highlights that urban and rural areas face different challenges.⁴² High-growth areas are adding one residential permit per 2.5 net jobs created, much lower than the sustainable rate of one-to-one. Rural areas are witnessing difficulties retaining their younger workforce because of aging housing stock. To address the current housing crises in Ohio, the study proposed a State Housing Policy Agenda based on the following actions:

- *State housing mezzanine*
This program could be created by matching lending institutions' money with American Rescue Plan Act (ARPA) funds. These funds can be helpful in alleviating the higher costs of financing residential projects due to rising interest rates.
- *Zoning reforms*
- *Property tax assessment reforms*
States should permit local governments to provide residential real property tax abatements without interference from local school districts or other taxing authorities. School districts are often the biggest opponents of residential growth even though they are in the business of serving local residents.
- *Creation of a rural housing loan program*
States should set aside some funds to assist developers in rural areas.
- *Creation of a housing infrastructure fund*
States can create this from ARPA funds. The purpose is to award matching grants for residential public infrastructure and permit the local creation of Infrastructure Improvement Districts. This can be modeled after Transportation Improvement Districts which improve regional residential infrastructure efforts.

⁴¹ Shelley M. Kimelberg and Elizabeth Williams, "Evaluating the Importance of Business Location Factors: The Influence of Facility Type", *Growth and Change*, March 2013, <https://doi.org/10.1111/grow.12003>.

⁴² The Montrose Group, LLC, "Housing is a Major 2023 Corporate Site Location Trend," January 2023, accessed February 21, 2023, <https://montrose-groupplc.com/2023/01/housing-is-a-major-2023-corporate-site-location-trend/>.

- *State Housing Tax Credit*
Create a workforce housing tax credit to provide support for federal Low-Income Housing Tax Credit program investors for their projects in the state.

An interesting example of integration between economic planning and housing at the local level is the Mechanicsville neighborhood of Atlanta, Georgia. This low to lower-middle income neighborhood faces a higher-than-average unemployment rate, poor public transportation services, and inconvenient access to grocery stores. In this neighborhood, home-ownership rates are very low, at less than 20%. This rate is more than 60% in Atlanta. In 2016, typical monthly rent in Mechanicsville (\$745) was lower than in Atlanta (\$1,003), but so was the average salary (\$19,800 compared to \$59,183, respectively). Clearly, housing affordability and business attraction strategies need to be addressed together. Given the lack of areas with enough foot traffic to support retail, small-scale manufacturing is the best alternative for Mechanicsville. One marquee program available for Mechanicsville is the Urban Enterprise Zone program which encourages job creation and private investment through tax abatements over a 10-year period. To increase affordable housing, the neighborhood has already opened up underutilized or vacant city-owned land to affordable housing developments, but there are additional actions that can be implemented. A community foundation is needed to coordinate neighborhood resources and to work with a community land trust in acquiring properties to construct affordable single-family homes. Other programs to increase affordable housing involve building low-income housing for extremely low-income families (at or below 30% of the area median income). In addition, there were recommendations to change Atlanta zoning codes to make building affordable housing easier, specifically (1) allowing “missing middle” housing such as duplexes and fourplexes, (2) increasing floor area ratio (FAR) limits to take up more available parcel space, (3) clarifying regulations for accessory dwelling units, and (4) encouraging light industry with mixed-use development.⁴³

In Colorado, the integration of housing needs and economic development has taken the form of grants to encourage innovative housing manufacturing. The state is investing \$40 million in grants to prefabricated housing manufacturers for assistance with capital costs. The companies can also qualify for incentives if they meet certain criteria for affordability, energy efficiency, and location.⁴⁴ A program along these lines in Virginia could help attract manufacturers to the Commonwealth to add jobs, advance housing innovations, reduce prices, and increase availability.

5.2. Addressing Workforce and Rural Housing Needs with Grants and Funding Programs

Higher financial costs, scarce availability of land, and a series of material and construction worker shortages have dramatically increased the cost of housing. Furthermore, rural areas often lack the resources to build the infrastructure needed to attract developers. Grants and funding programs can be an effective way to reduce barriers to housing development while containing costs. Several state and local governments have already included housing subsidies in their economic development plans.

Nebraska implemented a Rural Workforce Housing Fund program. This program addresses workforce housing needs, especially for workers in difficult-to-fill occupations in rural communities with fewer than 100,000 residents. In 2022, the state allocated \$30 million for this program.⁴⁵

⁴³ Georgia Tech School of City and Regional Planning, “Cultivating Connections: A Housing & Economic Development Implementation Strategy for the Mechanicsville Neighborhood of Atlanta,” December 2018, <https://smartech.gatech.edu/handle/1853/60932>.

⁴⁴ Andrew Kenny, “Inside Colorado’s \$40 million plan to boost housing factories,” accessed August 2023, <https://www.cpr.org/2022/03/30/colorado-affordable-housing-modular-homes/>

⁴⁵ Nebraska Department of Economic Development, “Rural Workforce Housing Fund,” accessed June 2, 2023, <https://opportunity.nebraska.gov/programs/housing/rwhf/>.

North Carolina has included a \$50 million grant for neighborhood revitalization and community development in their Rural Economic Development Division.⁴⁶ This Rural Transformation Grant Fund is intended to build partnerships to help small businesses, leverage downtowns as assets, assist with COVID-19 recovery, and develop and implement transformative local projects. Grant categories include Downtown Revitalization, Resilient Neighborhoods, Community Enhancements for Economic Growth, and Rural Community Capacity Building. The City of Hickory, for example, used a \$900,000 award under this grant to prepare land for an Innovation District. The plan includes a mixed-use development project near a local campus and regional airport.⁴⁷

A May 2023 report from the National Governors Association summarized actions taken by various governors to address housing challenges and to improve workforce housing.⁴⁸ In Georgia, Governor Brian Kemp, in his FY2024 budget proposal, reallocates \$35.7 million to establish the Rural Workforce Housing Fund. This allows local development and housing authorities to prepare land for housing development, supporting upcoming economic development projects. Connecticut Governor Ned Lamont advocated for \$100 million annually for workforce development housing, creating 2,000 household units.

“People call it a workforce problem. I think part of the workforce problem is a housing problem... I would say that I have never had a business tell me that they have housing issues or that they can’t find housing. What they tell me is they can’t find workforce. They say we can’t find workers. They can’t find workers because the workers they need don’t live in the area because they can’t afford to.”

– Sara Worley, Director of Economic Development, Goochland County

5.3. Revising Zoning Regulations to Improve Affordability

Affordability is becoming a pressing issue, especially for the unskilled workforce. The affordability index⁴⁹ of a single-family home dropped 28% in Richmond between 2021 and 2022, by 29% in the Virginia Beach-Norfolk-Newport News MSA, and 26% in the Washington-Arlington-Alexandria MSA.⁵⁰ Revision in zoning regulation can improve affordability by allowing a mix of housing development. In fact, in a 2022 report by the National League of Cities, increasing housing density options to include duplexes, townhomes, apartments, and other widely affordable home options is considered a top priority to ameliorate affordability.⁵¹

⁴⁶ North Carolina Department of Commerce, “2023 First in Talent Annual Update,” April 2023, accessed June 1, 2023, <https://www.ncleg.gov/Files/Library/agency/comm17090.pdf>.

⁴⁷ North Carolina Department of Commerce, Rural Economic Development Division, “2022 Annual Report,” accessed July 31, 2023, <https://www.commerce.nc.gov/annual-report-rural-economic-development-division/open>.

⁴⁸ National Governors Association, “How Governors Are Addressing Housing Access and Affordability And The Connection To Workforce Success,” accessed June 2, 2023, <https://www.nga.org/news/commentary/how-governors-are-addressing-housing-access-and-affordability-and-the-connection-to-workforce-success/>.

⁴⁹ The Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the city level based on the most recent price and income data.

⁵⁰ National Association of REALTORS, “Affordability Index of Existing Single-Family Homes for Metropolitan Areas”, 2023, access July 2023, <https://cdn.nar.realtor/sites/default/files/documents/metro-affordability-2022-existing-single-family-2023-07-24.pdf>.

⁵¹ National League of Cities, “Local Tools to Address Housing Affordability: A State-By-State Analysis,” 2022, accessed March 1, 2023, https://www.nlc.org/wp-content/uploads/2022/03/Local-Tools-to-Address-Housing-Affordability_A-STATE-BY-STATE-ANALYSIS_2022-Update.pdf.

With the passage of the Middle-Class Housing Act, California Governor Gavin Newsom has allowed housing to be built in underutilized commercial sites currently zoned for retail, office, and parking without the need for rezoning. This policy has resulted in an increased supply of about 2 million housing units without inducing more urban sprawl.⁵² In Montana, Governor Greg Gianforte has urged the legislature to pass several housing regulation reforms, including high-density housing developments to protect rural areas from sprawl. Montana's SB 323 ended exclusionary zoning and allowed duplex, triplex, and fourplex housing in urban areas.

In Connecticut, the state implemented the "Housing for Economic Growth Program" to specifically link housing and economic growth.⁵³ The program aims to help municipalities create mixed-income housing that is critical to attracting and retaining young professionals, working families, and people in critical occupations such as firefighters, police officers, teachers, and nurses. Based on a 2022 report, 39 municipalities were in the process of finalizing the location of incentive housing zones and drafting related regulations. In another example, legislation in Vermont rolled back land-use statutes and permitting requirements to now require at least five units per acre in areas served by municipal water and sewer. Towns and cities also must allow for duplexes in areas previously zoned for single-family housing.⁵⁴

Oregon and California have recently enacted laws mandating communities to allow ADUs in certain locations. In Oregon, the law change was also accompanied by a guidebook for local governments to use in drafting their own ordinances. However, with ADUs and other zoning reforms, changing regulations is only part of the solution. Implementation of those new regulations often takes a significant initial outlay of capital by homeowners or developers, but ADUs can later provide extra income for homeowners and increase tax revenue for the municipality.⁵⁵

In other cases, the initiative started at the local level. Durham, North Carolina, and Atlanta, Georgia, both reformed zoning in 2019 to permit denser housing in certain areas; this allowed four to six housing units on a typical lot that previously allowed one single-family unit. In 2019, the Minneapolis City Council amended their zoning ordinance by renaming single-family districts to multifamily districts and allowing two-family and three-family dwellings in zones that had previously been restricted to one-family or two-family dwellings.⁵⁶

In high-density urban areas, there are efforts to increase affordable units in each development. The "missing middle" ordinance in Arlington, Virginia—mentioned in a previous section—is allowing the development of up to six units per residential lot if building height, setbacks, and size conditions are met. In the nearby Tysons Corner area in Fairfax County, the county's development plan requires that 20% of new residences be for workforce or affordable housing. In exchange, developers can build 20% more units. The plan also recommends that any new nonresidential development donates \$3.00 per square foot to a housing trust fund for affordable and workforce housing in Tysons Corner. To coordinate with the plan, the Fairfax County Zoning Ordinance was amended to create a new district called the Planned Tysons Corner Urban District.⁵⁷

⁵² Office of Governor Gavin Newsom, "California to Build More Housing, Faster", Published September 28, 2022, accessed August 15, 2023, <https://www.gov.ca.gov/2022/09/28/california-to-build-more-housing-faster/>.

⁵³ Connecticut State Department of Housing, "Annual Report of Incentive Housing Zone Program/Housing for Economic Growth (HEC) Program, 2022," accessed June 2, 2023, <https://portal.ct.gov/-/media/DOH/IHZ-2022-Report-for-Publication.pdf>.

⁵⁴ Peter Hirschfeld, "Vermont housing bill becomes law, easing rules for some new construction amid home shortage," *Vermont Public*, June 6, 2023, <https://www.vermontpublic.org/local-news/2023-06-06/vermont-housing-bill-becomes-law-easing-rules-for-some-new-construction-amid-home-shortage>.

⁵⁵ Craig Carpenter and Tyler Augst, "Best Practices in Suburban Housing Affordability: Understanding, Motivating, and Policy Options," September 2021, accessed March 1, 2023, https://s3.wp.wsu.edu/uploads/sites/2164/2021/11/Best_Practices_In_Suburban_Housing_Affordability_WCMER_9.2021.pdf.

⁵⁶ Craig Carpenter and Tyler Augst, "Best Practices in Suburban Housing Affordability: Understanding, Motivating, and Policy Options," September 2021, accessed March 1, 2023, https://s3.wp.wsu.edu/uploads/sites/2164/2021/11/Best_Practices_In_Suburban_Housing_Affordability_WCMER_9.2021.pdf.

⁵⁷ Housing Forward Virginia, "Best Practices in Affordable Housing: Workforce & Affordable Housing," 2015, accessed March 1, 2023, <https://housingforwardva.org/wp-content/uploads/2015/11/best-practices-Tysons-Plan.pdf>.

One report by the National League of Cities provides an excellent summary of the different local tools available to address home affordability and availability challenges.⁵⁸ Besides tax incentives, the creation of land banks, and the creation of state trust funds, zoning plays an important role in improving housing affordability. In line with the example mentioned in this section, this study recommends:

- Increasing housing density options to include duplexes, townhomes, apartments, and other home options that are affordable to a wide spectrum of households
- Allowing and encouraging ADUs, giving homeowners the flexibility to add units to existing properties

5.4. Redeveloping Existing Structures and Supporting Mixed-Use Developments

In areas with old housing stock, local governments are spearheading efforts to rehabilitate old buildings into housing. In Virginia, the City of Winchester provided incentives for property owners and developers to remove and rebuild/renovate derelict buildings. Under this program, one vacant hotel in the city was renovated into a mixed-use commercial and residential building while still preserving the historic characteristics of the downtown district.⁵⁹

Stakeholders from GO Virginia Region 7 emphasized focusing on mixed-use development and the redevelopment of office spaces for residential use. Fairfax County has been a leader in drafting new policies to provide guidance for building reposition and repurposing. The Bailey's Crossroads Office Building conversion is such an example. The empty office building originally constructed in the 1960s was converted to live-work units in an area with high housing cost.⁶⁰ Other examples of adaptive reuse of existing structures include:

- The transformation of a historical mill and lumber yard in Richmond's historic Church Hill neighborhood into 22 mixed-income apartments adjacent to 39 affordable units for seniors aged 55 and older. The project was an initiative of the Better Housing Coalition and was financed using state and federal historic tax credits, Community Development Block Grant funds, low-income tax credits, loans and grants from Virginia Housing, and grants and owner equity. This project was a finalist for the Urban Land Institute's 2012 Jack Kemp Workforce Housing Models of Excellence Award, which recognizes exemplary and creative developments that expand workforce housing across the United States.
- In 2023, Danville won the Great American Main Street Award for its River District Association project, which has successfully attracted residents and small businesses back to downtown by repurposing former tobacco warehouses.⁶¹
- As part of a downtown revitalization effort, several historical buildings in Lynchburg will be converted into lofts.⁶²

While the list of successful cases of adaptive reuse is not expected to be exhaustive, given Virginia's large stock of historical buildings, there is a potential for more projects to be added to the list in the future.

⁵⁸ National League of Cities, "Local Tools to Address Housing Affordability: A State-By-State Analysis," 2022, accessed March 1, 2023, https://www.nlc.org/wp-content/uploads/2022/03/Local-Tools-to-Address-Housing-Affordability_A-STATE-BY-STATE-ANALYSIS_2022-Update.pdf.

⁵⁹ Housing Forward Virginia, "Best Practices in Affordable Housing: Preservation of Existing Housing Stock," 2015, accessed March 1, 2023, <https://housingforwardva.org/wp-content/uploads/2015/11/best-practices-Winchester-City-Code.pdf>.

⁶⁰ Fairfax County Department of Resources, "Bailey's Crossroads Office Building Conversion Shows How Fairfax is Putting Strategies in Action to Combat High Office Vacancy Rate," accessed June 3, 2023, <https://www.fairfaxcounty.gov/publicaffairs/baileys-crossroads-office-building-conversion-shows-how-fairfax-putting-strategies-action-combat>.

⁶¹ NPR, April 2023, accessed August 14, 2023, [How a Virginia City Turned Things Around and Attracted Businesses to its Downtown](https://www.npr.com/2023/04/23/1158444444/how-a-virginia-city-turned-things-around-and-attracted-businesses-to-its-downtown).

⁶² City of Lynchburg, Virginia, "Downtown 2040", Adopted November 2018, accessed August 17, 2023, <https://www.lyncburgva.gov/sites/default/files/COLFILES/Community-Development/Planning/Downtown2040>.

5.5. Improving Communication Between Community and Economic Development Stakeholders

In an effort to build more homes, especially those that are more affordable, every locality has encountered resistance from current residents in the area regarding new housing. A recent example in Silver Spring, Maryland, highlighted a creative way to build community support for new and affordable housing.⁶³ The city wanted to develop a vacated police station into affordable apartments but faced objections from local residents—mostly single-family homeowners. The solution was to develop the station into a more reasonably priced live-work unit for artists. This solution increased affordable housing in the city and received community support.

Similarly, a panel of experts in Washington, D.C. advised Mayor Bowser to consider educating residents about the present and future harm caused by resistance to affordable housing.⁶⁴ The Commonwealth may also consider partnering with organizations like the Virginia Municipal League (VML) to address NIMBYism through awareness efforts.

5.6. Exploring Public-Private Partnerships

There are several examples of ways large companies have helped finance housing near their headquarters, which could be adapted for Virginia. Washington State Housing Finance Commission (WSHFC) provided loans (funded by Microsoft) to developers in Seattle to purchase land for affordable housing.⁶⁵ Additionally, Apple partnered with CalHFA to provide a facility that allows the agency to preserve and reuse/recycle bonds that would otherwise retire so they can be used for low-cost financing for affordable housing projects. Apple also contributed to CalHFA's down payment assistance program.⁶⁶ Notably, these programs were not limited to company employees and contributed to general affordability in these regions.

A 2023 report in Ohio provided a useful case study on Bowling Green, which developed innovative policies to address the housing shortage.⁶⁷ Specifically, the city went directly to regional residential developers with an opportunity to construct residential housing on city-controlled property. The city controls nine parcels within the city limit, totaling approximately 247 acres of vacant agricultural land. Through this process, the city worked collaboratively with developers to address the diverse residential housing needs in the city of Bowling Green, constructing a mix of different residential homes, including single-family and townhome options.

Stakeholders from GO Virginia 7 highlighted the importance of the coordination between Arlington Partnership for Affordable Housing and Amazon Housing Equity fund in Virginia's Amazon HQ2 win. Amazon committed \$55 million to develop 500 new affordable homes in Tysons, near its new headquarters. The homes are for families making 60%, 50%, and 30% of the area's median income.

⁶³ Linda Poon, "In the DC Suburbs, an Artful Compromise Over Density and Housing," February 2023, accessed February 21, 2023, <https://www.bloomberg.com/news/features/2023-02-11/suburban-police-station-finds-new-life-as-artist-housing>.

⁶⁴ Ally Schweitzer, "Is Shame the Antidote to NIMBYism In The Washington Region?" *NPR WAMU*, October 7, 2019, <https://www.npr.org/local/305/2019/10/07/767839319/is-shame-the-antidote-to-n-i-m-b-yism-in-the-washington-region>.

⁶⁵ Washington State Housing Finance Commission, "Expanded Land Acquisition Program (ELAP)," 2022, <https://wshfc.org/mhcf/lap/elap.htm>.

⁶⁶ CalHFA, "CalHFA's Innovative Bond Recycling Program ramps up," November 23, 2021, <https://www.calhfa.ca.gov/about/press/press-releases/2021/pr2021-11-23.htm>.

⁶⁷ The Montrose Group, LLC, "Housing is a Major 2023 Corporate Site Location Trend," January 2023, accessed February 21, 2023, <https://montrose-groupplc.com/2023/01/housing-is-a-major-2023-corporate-site-location-trend/>.

A Plan for Housing Was Key to Virginia's Successful Amazon HQ2 Bid

"The Amazon HQ2 project is an example where housing affordability was an important part of the location decision process. And I stress affordability because a corporate headquarters project like that was only going to look in larger metros [where a large supply of housing units is already in place]. They were concerned both about the ability of their future employees to find affordable housing, but also about the potential negative impacts of a big employee influx on the regional housing market. They wanted to be a good corporate citizen and didn't want their arrival to displace a lot of people and create various issues that would be hard for them to manage. So they were looking at mitigating the impact of the project on the regional housing market. Part of the reason why we were successful is that we were able to bring some solutions to the table to address that."

– Jason El Koubi, President & CEO, VEDP

6. Housing as an Economic Development Strategy for Virginia

Governor Glenn Youngkin has established a goal of creating 400,000 new jobs during his term in office.⁶⁸ As further noted in the paragraphs below, Governor Youngkin has recognized the importance of additional quality, affordable housing inventory in achieving this goal. Similarly, as also noted elsewhere in this report, the Virginia Chamber recognized the importance of having a broad range of housing options for economic development and a high quality of life for all Virginians by naming housing as a key focus area in its *Blueprint Virginia 2030*.⁶⁹

Virginia's Unified Efforts

Changing economic and market conditions have exposed the necessity of aligning housing and economic development efforts strategically. The Commonwealth's housing and economic development agencies support housing and economic competitiveness in policymaking, investing and funding, and convening and collaborating. The current and recent efforts of Virginia Housing, the Department of Housing and Community Development, and the Virginia Economic Development Partnership can inform a strategic path forward.

Housing and economic development are core priorities for the Youngkin administration. In November 2022, Governor Youngkin announced his "Make Virginia Home" (MVH) plan, to promote increasing the supply of attainable, affordable, and accessible housing across the Commonwealth.⁷⁰ Core goals of MVH include increasing the supply of land for housing, removing regulatory barriers to housing development, and aligning housing development with economic growth. Subsequently, in December 2022, Governor Youngkin announced his "Compete To Win" (CTW) economic development strategy.⁷¹ A fundamental principle of CTW is that economic development is essential to making Virginia an attractive place to live, work, and raise a family. Solutions sought in CTW include:

- Developing housing plans in coordination with economic development site plans to promote ample, affordable worker housing when businesses locate in Virginia,
- Aligning housing development with economic growth through public/private partnerships with developers and including workforce housing in the early stages of the site development and selection process, and
- Investing in innovation in housing construction and modernizing regulatory processes to reduce the cost of housing construction and materials.

Further, Governor Youngkin recently celebrated the one-year anniversary of the Partnership for Petersburg (PFP), a comprehensive revitalization plan for the City of Peterburg, that includes housing and economic development as major components.⁷²

Significant housing and economic development related accomplishments during the Youngkin administration in support of the principles of MVH, CTW and PFP include:

- Convening a workgroup of Virginia Housing, VEDP and DHCD staff to work on aligning housing development with economic growth.

⁶⁸ Office of the Governor, "Governor Glenn Youngkin Announces 100,000 Job Milestone," August 19, 2022, <https://www.governor.virginia.gov/newsroom/news-releases/2022/august/name-938703-en.html>

⁶⁹ Virginia Chamber, "Blueprint Virginia 2030," January 2022, <https://vachamber.com/wp-content/uploads/2022/01/20211110-VACOC-BPVA2030-FINAL.pdf>

⁷⁰ Office of the Governor, "Governor Glenn Youngkin Unveils the 'Make Virginia Home' Plan," November 18, 2022, <https://www.governor.virginia.gov/newsroom/news-releases/2022/november/name-942691-en.html>

⁷¹ "Compete to Win: Comprehensive Economic Development Policy for the Youngkin Administration," December 12, 2022, <https://www.commerce.virginia.gov/media/governorvirginiagov/secretary-of-commerce-and-trade/pdf/Ec-Dev-Plan---FINAL-FINAL---12.22.22.pdf>

⁷² Office of the Governor, "Governor Glenn Youngkin Joins Local, Community Leaders to Launch Partnership for Petersburg," August 22, 2022, <https://www.governor.virginia.gov/newsroom/news-releases/2022/august/name-938765-en.html>

- Reducing regulatory burdens through the creation of the Virginia Office of Regulatory Management (ORM) to provide transparency, streamline regulatory management, and fulfill Governor Youngkin's commitment to reduce 25% of Virginia's regulatory burdens.⁷³
- Amendments to the Wetland and Stream Replacement Fund legislation recommended in the MVH plan.⁷⁴
- Amendments to the Virginia Resources Authority legislation to add community development projects related to the production and preservation of housing, including housing for persons and families of low- and moderate-income, to those projects that the Virginia Resources Authority may finance.⁷⁵
- Translating Virginia's building regulations into Spanish.
- Authorizing development of the Virginia Residential Sites and Structures Locator database.⁷⁶
- Legislation requiring localities to report to DHCD their adoption or amendment of any local policies, ordinances, or processes affecting the development and construction of housing.⁷⁷
- Adding responsibility for DHCD to conduct a comprehensive statewide housing needs assessment at least every five years, to develop a statewide housing plan and update such plan at least every five years, and to provide annual updates to the General Assembly regarding meeting the goals of such plan.⁷⁸

Virginia Housing has adopted several measures to directly increase the production of workforce housing and to expand the opportunities to access homeownership for moderate-income first-time homebuyers:

- Multifamily Production:
 - Virginia Housing is in the process of implementing a full overhaul of the Qualified Allocation Plan (expected to be adopted in January 2025) to streamline the Low-Income Housing Tax Credit program (LIHTC) and allow for a more targeted housing production around specific policy goals (such overhaul could include a focus on producing additional inventory most quickly, for example).
 - Virginia Housing is considering the launch of a pilot program to fast-track the production of new units within its tax-exempt bond financed multifamily program.
 - The 2023 round of the State Housing Opportunity Tax Credits (HOTC) program has been reserved exclusively for the creation of new units.
- New Homeownership Opportunities:
 - Virginia Housing has restarted its tax-exempt mortgage revenue bond (MRB) program to better assist first-time homeowners in obtaining below-market interest rates,
 - In support of the Governor's Integrated Framework for Economic Growth (Living Environment Pillar), Virginia Housing is expanding upward the current maximum eligible household income limits to serve more moderate-income borrowers, particularly in Northern Virginia. The expansion also allows moderate-income borrowers to access Virginia Housing's unique Plus Second Mortgage loan product for down payment costs.

In addition to these efforts directly addressing housing supply and demand, Virginia Housing has been actively working with new and existing partners to connect economic development and housing efforts in a meaningful, strategic way. Utilizing existing resources, staying informed about efforts across fields, and educating new economic development partners

⁷³ Office of the Governor, "Governor Glenn Youngkin Issues Executive Order Reforming Virginia's Regulatory Process," June 30, 2022, <https://www.governor.virginia.gov/newsroom/news-releases/2022/june/name-936308-en.html>

⁷⁴ <https://law.lis.virginia.gov/vacode/title62.1/chapter3.1/section62.1-44.15:23.1/>

⁷⁵ Virginia Code § 62.1-198. Legislative findings and purposes, <https://law.lis.virginia.gov/vacode/title62.1/chapter21/section62.1-198/>

⁷⁶ Virginia Code § 36-139. Powers and duties of Director, <https://law.lis.virginia.gov/vacode/36-139/>

⁷⁷ Virginia's Legislative Information System, 2023 Session, Chapter 733, <https://lis.virginia.gov/cgi-bin/legp604.exe?231+ful+CHAP0733>

⁷⁸ Virginia Code § 36-139. Powers and duties of Director, <https://law.lis.virginia.gov/vacode/36-139/>

on housing tools have led to new collaborations and discussions showing the connection between housing and economic development. Examples of these efforts include:

- Convening:
 - Sponsoring and participating in planning and execution of regional housing summits across the Commonwealth. Housing summits are a region's opportunity to stress to developers that they are "Open for Business." Each summit creates opportunities for new partnerships between localities and developers to bring new housing units to the market. At its 2022 summit, the City of Danville presented several opportunities for development on both publicly and privately owned land. Using developer feedback, the city came up with a list of new incentives for residential development. The Southwest Virginia Regional Housing Summit has also led to discussions between participating localities and new-to-market developers.
 - Engaging employers regarding employer-assisted housing programs to aide in attracting and retaining qualified workforce.
 - Connecting with universities and colleges to identify their housing needs for faculty and staff and explore potential opportunities for development partnerships.
- Investing and Funding:
 - Funding studies of housing needs, opportunities, and challenges across the Commonwealth.
 - Through grants and financing, collaborating with Industrial and Economic Development Authorities (IDAs and EDAs) and local Economic Development Departments to assess the feasibility of developing new housing opportunities on publicly owned land or buildings.
 - Investing \$40 million in grants to Virginia's 21 planning district commissions, resulting in regional collaboration and creative financing, such as gap funding to bring 2,300 new housing units to the market. This also catalyzed new discussions and models of bringing housing units to the market.
 - Investing in innovative technologies and services to increase housing production and expand manufactured housing opportunities. These efforts have the potential to create new jobs, investment, and additional housing.
- Collaborating:
 - Participating in state initiatives such as the Partnership for Petersburg where Virginia Housing developed Pecan Acres with the Petersburg Housing Authority and hosted a homeownership forum with DHCD.
 - Tracking and mapping data related to economic development announcements and sites identified by partners at DHCD and VEDP to strategically plan outreach to partners in regions that could see increased demand of housing brought on by new jobs.
 - Providing housing data and updates to VEDP to include in response to prospective companies considering Virginia for projects.
 - Attending and participating in statewide economic development association meetings and events.

Recommendations

Housing and economic development exist in symbiosis. A sustainable economic development plan needs to be supported by a corresponding housing development strategy, but the opposite is also true. Building only luxury homes without having policies in place to attract high-paying jobs is serving only a portion of the population and exacerbates existing inequality. Virginia has already undertaken a number of significant initiatives as highlighted in this report—most notably the missing middle ordinance in Arlington, the repurposing of historical buildings in various communities, and the partnership with Amazon to develop 500 new affordable home in Tysons. But the housing crisis is far from being completely addressed. A comprehensive approach addressing housing needs for the range of incomes in each region is essential. From the analysis of current economic development plans in each GO Virginia region and interviews with a variety of stakeholders, some promising recommendations emerged. These primary areas of focus are illustrated by the icons below, which are placed next to each related recommendation.



State



Virginia
Housing



Regions



Localities



Employers

Expand Availability and Reduce Barriers:



1. Update zoning for housing innovation in growth plans

As highlighted by the literature, innovation in the housing industry has the potential to facilitate housing availability. However, the use of new material and technology is sometimes hindered by zoning restrictions. Localities with sole zoning authority are in the ideal position to facilitate optimal resource distribution and effectively plan for housing production and supply.⁷⁹ They will need to review growth plans and zoning regularly to accommodate emerging demographic shifts, housing innovations, and resource changes. Advances in materials and processes continue to accelerate, including fire safety, construction materials, and 3D printing. The 3D printing of materials, or even homes, can lead to cost-effective changes by reducing the cost of materials, enforcing standardization, and allowing for homes to be built in controlled environments. Additionally, manufactured homes may help streamline permitting and inspections due to their homogeneity. In fact, local permitters could visit a home production facility and approve designs for home types, rather than at each individual home, significantly speeding up processing times. Continued innovations in the housing industry such as manufactured housing, modular buildings, 3D printing, and accessory dwelling units (ADUs) have the potential to impact housing availability. Localities can play an essential role in exploring these options to find the right fit for each zone, consistently adapting housing regulations to lower the costs of development.

2. Increase housing supply by identifying unused properties and land



Several communities in Virginia are already developing land banks—entities that acquire, maintain, and restore vacant property to productive use. To increase land available for housing without impacting sites for business attraction and expansion, the state and localities should assess options to identify and coordinate surplus or tax-delinquent land. Identified land and underused properties could be used by nonprofit land banks to keep land costs low and develop housing. Additionally, the Commonwealth can provide funds to developers to transform unused properties into residential ones. The funds should be conditional on finishing the project—balancing risk for developers and the state while reducing costs for completed developments. For example, the Canadian City of

⁷⁹ There are some examples of state initiative that can foster the adoption of housing innovation. However, several studies reviewed in this report conclude that it is better to manage zoning at the local level. In California, buyers of factory-built housing can claim a tax credit on 60% of their purchase. But only counties have jurisdiction on where a factory-built home can be installed. In San Mateo County, manufactured homes are allowed in any residential zoning.

Calgary transformed nearly 1.5 million square feet of unused office space mostly into apartments.⁸⁰ In Virginia, the existing Housing Revitalization Zone Act could be funded to provide grants to improve/increase housing in vacant areas needing economic development.⁸¹

3. Foster construction workforce participation



Construction workforce demand is highly cyclical, making it difficult to establish workforce training programs. Also, a lack of workers is impacting the ability to build in parts of the Commonwealth. Stakeholders from several GO Virginia regions have expressed their concern that construction worker shortages are affecting the ability to supply the necessary housing in the region. Expanding access to training programs that support transferable skills for construction and other trades will attract more workers and reduce project delays. Furthermore, these programs should focus on assisting workers who have settled in one place, rather than highly mobile laborers to ensure long-term worker availability. Harmonizing certification requirements with neighboring states can also increase the availability of skilled construction workers, particularly in border regions in Virginia.

4. Develop additional financing options to increase affordability for homebuyers and mitigate risks for developers



Financing plays a critical role in the acquisition, development, and maintenance of properties and enabling individuals, families, and developers to access housing opportunities. Creating more diverse financing options will allow homebuyers and developers to obtain loans over different time horizons and interest rates. This will increase accessibility and affordability for homebuyers, mitigate risks, and increase the market for developers. These options can also be developed in partnership with large employers committed to regional growth. Companies are aware that affordable housing is fundamental to attracting and retaining the workforce and therefore are willing to invest in the development of new solutions. Virginia Housing and businesses in Virginia should explore options such as bond recycling, land acquisition financing, mezzanine financing, and mortgage assistance contributions as used in Washington State⁸² with Microsoft, and in California⁸³ with Apple. Mezzanine financing can result from private lender funds matched with public program financing (as suggested in the Ohio study mentioned in the best practice section). It could also result from a combination of traditional lending and employer funding. An example of the latter is the \$55 million low-rate loan that Amazon made to the Arlington Partnership for Affordable Housing.

5. Expand access to federal and state housing programs



Stakeholders in Region 8 report limited homebuyer resources including a lack of U.S. Department of Housing and Urban Development (HUD) counselors/inspectors. Participants face a significant drive to find HUD specialists to support their down payment program. Virginia Housing can build capacity in all regions to meet HUD and other requirements and allow for greater participation in their programs. These programs promote affordable housing and community development by providing funding, resources, and support to individuals, families, communities, and organizations. Strengthening the capabilities and readiness of regions to comply with these regulations via developing expertise, administrative capabilities, and collaborative resources will enable them to meet HUD and other program prerequisites and access resources, support, and opportunities. Stakeholders report that lowest-income households are especially vulnerable. When compared to nearby states, low-income housing in Virginia is underfunded. Leaders should explore benchmarking Virginia's investments in affordable housing against neighboring states and peers. Estimates of investments may vary depending on what is included—for example, as

⁸⁰ Editorial Board, "The model city for transforming downtowns? It's in Canada.", *The Washington Post*, May 18, 2023, <https://www.washingtonpost.com/opinions/2023/05/18/calgary-downtown-revitalization-plan/>.

⁸¹ Virginia Code §36-157 to 36-170, Housing Revitalization Zone Act, <https://law.lis.virginia.gov/vacode/title36/chapter11/>.

⁸² Washington State Housing Finance Commission, "Expanded Land Acquisition Program (ELAP)," 2022, <https://wshfc.org/mhcf/lap/elap.htm>.

⁸³ CalHFA, "CalHFA's Innovative Bond Recycling Program ramps up," November 23, 2021, <https://www.calhfa.ca.gov/about/press/press-releases/2021/pr2021-11-23.htm>.

Virginia Housing is not publicly funded, its work towards affordable housing may not be counted in state-by-state comparisons. Collecting state-specific data with a uniform definition of investment will enable an apples-to-apples standardization of Virginia's investments compared with neighboring states and other competitive economic development peers.

6. Lower the cost of regulation



Stakeholders in seven of the nine regions report policy and regulations as a significant housing barrier. This finding aligns with academic research that finds a strong correlation between high measures of zoning strictness and home prices.⁸⁴ Once projects are adequately funded, streamlining reviews and permits such as those from the Virginia Department of Environmental Quality or from local governments will allow for greater project efficiencies and reduce costs related to delays. For example, in Los Angeles, “by-right entitlement”, which allows developers to apply directly for a building permit instead of waiting for a discretionary review process, leads to shorter approval time and substantial benefits to housing production.⁸⁵

Build on Efforts Positioning Housing as a Pillar for Economic Development:



1. Incorporate economic development goals in housing plans and housing in economic development plans

Coordination of economic development and housing goals has progressed through recent efforts such as the inclusion of housing in both the Virginia Chamber Blueprint and the Governor's economic development framework. HB 2046, recently signed into law, requires DHCD to conduct a comprehensive statewide housing needs assessment at least every five years as well as develop and update a statewide housing plan.⁸⁶ This plan should consider economic development goals in its assessment. Other recurring plans such as Comprehensive Economic Development Strategies (CEDS) and GO Virginia Diversification Plans should consider housing and economic development as well. Similarly, local jurisdictions need to conduct housing studies and incorporate those findings into economic development plans and goals.

2. Foster collaboration among agencies



Policymakers and agencies should consider a permanent interagency workgroup to coordinate the efforts between Virginia Housing, the Department of Housing and Community Development (DHCD), and the Virginia Economic Development Partnership (VEDP), similar to what is happening in North Carolina. More integrated/coordinated approaches to housing and economic development will drive holistic community development and efficiency in addressing housing needs related to economic development.

Agencies should also coordinate planning and infrastructure for housing related to economic development goals. Specifically, infrastructure expansion relating to water and sewer tends to be a barrier for developers due to the high associated costs. Lawmakers in Wisconsin proposed zero-interest loans for new construction and renovation, hoping to curb the effects of labor shortages, supply chain snarls, and rising construction costs.⁸⁷ Those loans will be used for installing sewer and water infrastructure for new developments. Similarly, the Virginia Resources Authority, which already provides financing to local governments for water and sewer development, can consider zero-interest loans or reducing fees to alleviate the impact of the barriers mentioned.

⁸⁴ Edward L. Glaeser and Joseph Gyorko, “The Impact Of Building Restrictions On Housing Affordability”, *FRBNY Economic Policy Review* 9, no. 2 (June 2003): 21–39.

⁸⁵ Michael Manville et al., “Does Discretion Delay Development?: The Impact of Approval Pathways on Multifamily Housing's Time to Permit”, *Journal of the American Planning Association* 89, no. 3 (November 15, 2022): <https://doi.org/10.1080/01944363.2022.2106291>, 336–47.

⁸⁶ DHCD; powers and duties of Director, statewide housing needs assessment and plan, report. HB2046 (2023), accessed August 2023, <https://lis.virginia.gov/cgi-bin/legp604.exe?231+sum+HB2046>

⁸⁷ Genevieve Redsten, “State lawmakers proposed solutions to the state's housing crisis. Here's what to know,” *Milwaukee Journal Sentinel*, May 11, 2023, <https://www.jsonline.com/story/money/business/2023/05/10/wisconsin-workforce-housing-bills-propose-loans-reform/70199695007/>.

Improve Collaboration between Planning Agencies and Stakeholders:

1. Increase housing data availability and transparency



Currently, economic development practitioners are compensating for a lack of housing data with snapshots of online home listings. This may not accurately reflect housing market conditions to employers, hampering their ability to make informed decisions. Data is needed for housing availability, market tightness, housing under development, and a list of plans/zoning currently in line with economic development goals. More frequent and transparent updates on local housing data organized and distributed by the Commonwealth/Virginia Housing can be a resource to reassure businesses that there is housing available and/or a plan to address housing needs. Business leaders and economic developers will no longer need to piece together various sources to gauge if an area is the right fit for their workers but will have a reliable and accurate analysis of the housing market.

2. Align housing and economic development goals with resident preferences in regional growth plans



A significant housing barrier in nearly every region is public sentiment in the form of NIMBYism. Residents at neighborhood council meetings have cited concerns from increased density, traffic congestion, and parking availability to postpone or prevent new project development. Localities can designate growth target areas that are aligned with local growth rates, and review and amend zoning to ensure consistency with community and economic development goals. Going forward, individual developments consistent with the approved plan may not require additional outreach. In addition, continued education of residents and community leaders on these issues is also important.

3. Address housing needs regionally




Housing policies are localized but housing needs are regional, and local and regional leadership should be engaged to drive and enact developmental policy. In an example of a regional policy being elevated statewide, San Diego's Affordable Homes Bonus Program garnered success at the local level and subsequently became the basis for California's Assembly Bill 2345.⁸⁸ The program delivers up to a 50% bonus to developers if they ensure up to 15% of their development is permanently affordable to low-income families. Developers can also build more homes than zoning would typically allow if some of those homes are set aside for low-income households. Similarly, Wisconsin is also investing in local and regional government-based solutions to housing problems such as the Neighborhood Investment Fund Grant Program, which invests in community-based and regional solutions to build affordable housing. The program also helps increase transportation options and expand childcare access.⁸⁹ In the Commonwealth, Virginia Housing's 2021 PDC program allowed localities to direct funding toward their specific needs. This was seen by stakeholders as highly successful in addressing housing issues and generating opportunities for PDCs to learn from each other. Stakeholders also mentioned the PDCs' capacity to provide useful and accurate regional data, given adequate funding. Empowering local actors and continuing/expanding on successes ensures that actions are informed by the wisdom of those who are most affected by them.

⁸⁸ Colin Parent, "Opinion: San Diego's affordable housing policy is working. Now it's being extended statewide." *The San Diego Union-Tribune*, July 19, 2022, <https://www.sandiegouniontribune.com/opinion/commentary/story/2022-07-19/affordable-housing-san-diego-bonus-program>.

⁸⁹ Office of the Governor, State of Wisconsin, "Gov. Evers Highlights Initiatives to Promote Safe, Affordable Housing for Wisconsin Workers and Families," April 3, 2023, <https://content.govdelivery.com/accounts/WIGOV/bulletins/35239c0>.


Increase Engagement with Private Employers on Housing Issues:

1. Encourage Public-Private Partnerships (PPP) for infrastructure and housing development



Companies expanding or relocating have been investigating ways to provide housing solutions for their employees or play a role in housing affordability. These are two ways companies and regions can gain an advantage in attracting and retaining workers, which was a recurring theme in the focus group meetings. Collaborative efforts between localities and employers in the form of PPP can be used to develop key infrastructure—similar to broadband or transportation—or to construct housing directly. In a PPP, public and private entities share resources, expertise, and risks to jointly undertake a project. This allows for enhanced efficiency with pooled resources and local government streamlining processes, risk reduction for both parties, and long-term working relationships. Developing new mezzanine financing solutions is one form of this type of partnership that has proven to be successful in the state of California and Washington, as well as in Arlington County.

2. Attract Businesses Focused on Housing Innovation



The Commonwealth and local governments may consider creating favorable regulatory environments and offering financial incentives (i.e., tax breaks, subsidies, and grants) to businesses focused on housing innovation. Along with marketing the area's advantages, these changes may lead to an influx of housing expansion projects, thus generating jobs, tax revenue, and housing stock. Attracting businesses such as real estate investment firms, property management companies, and architectural design firms will also draw in the talent and laborers that they hire, alleviating the labor gap for housing development. With significant innovations in housing materials and construction anticipated over the next several years, centering such developments in Virginia would not only provide regional employment benefits, but also increase availability of lower-cost housing options. Several states with housing crises similar to Virginia are pushing for more manufactured and modular housing and are offering incentives to help grow the sector. As reported in our best practice section, Colorado is offering grants to prefabricated housing manufacturers to assist with capital costs. California is relaxing inspection and approval requirements of factory-built homes.⁹⁰

⁹⁰ Barclays Official California Code of Regulations, 25 CA ADC § 3032, Required Inspections, [https://govt.westlaw.com/calregs/Document/I4E921D544C8611ECB533000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Document/I4E921D544C8611ECB533000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))

Appendix 1: Literature Summary

Study	Year	Author	Finding
Virginia Housing Studies			
HB 854 Statewide Housing Study	2022	Housing Forward Virginia	Using multiple surveys and focus groups, this study presented data related to the state housing market, discussed home affordability challenges, and estimated cost burdens for homeowners and renters. The study also evaluated state-wide programs that help homeowners. But it did not discuss the link between housing and economic development.
Affordable Housing in Virginia	2021	JLARC	This report focused on housing affordability issues and related policies. The study presented data on the cost burden for Virginia households. While the study did not focus on the link between housing and economic development, it did state that housing access is linked to the health and economic outcomes of individuals, which is related to economic performance.
Housing Affordability Listening Sessions, Executive Summary	2022	Virginia DHCD	From June to August 2022, DHCD conducted a series of listening sessions in seven regions of Virginia. The listening sessions focused on the challenges and solutions of affordable housing in the areas of zoning and land availability; regulatory concerns; and workforce and labor. The solutions to those concerns are streamlined approvals, standardized regulatory processes, and increasing funding for trade schools/certifications.
Comprehensive Housing Market Analysis: Richmond, Charlottesville, and Hampton Roads	2019-2022	HUD	The key indicators of the regional economy, population, and housing market were reported in these studies. Key housing data includes building permits and housing demand forecast. The reports did not explore the link between housing and economic development.
GO Virginia Region Growth and Diversity Plan	2021	GO Virginia Regions	Some of the GO Virginia plans addressed the impact of housing in their regional development—regional differences were apparent. The plan for Northern Virginia (Region 7) stated that high housing prices and lack of affordable housing is an acute issue. In rural areas such as southside (Region 3), the housing shortage affects the economic competitiveness in the region. In the fast-growing Fredericksburg region (Region 6), one key issue is that housing is competing with commercial development for land.
PDC CEDS (Comprehensive Economic Development Strategy) reports	2018-2022	PDC	A majority of PDCs (12 of 21) mentioned housing in their development strategies, with different focuses. Some focused on housing affordability, while others focused on housing availability and the need for diverse housing options. Many of the CEDS reports associated housing strategies with workforce development strategies. A few of CEDS reports provided in-depth analysis of the housing market in their regions as well as policy recommendations.
Comprehensive Housing Analysis, Wythe County	2023	S. Patz and Associates	Using a new business expansion project as an example, this report identified the challenge of rural communities such as Wythe County in meeting the housing demand of large economic development projects. Lack of market-rate rental units and affordable for-sale housing could hamper economic development efforts. Existing land use regulations make it cost prohibitive and time consuming to attract home builders from outside the region.
30+ Housing-Related Studies by Virginia Cities and Counties	2020-2022	Various	Most of these studies presented data on local housing markets, such as housing supply and demand, housing prices, and rental rates. Some studies, such as that from Charlottesville, focused on home affordability issues, while others, such as those from Lynchburg and Richmond, emphasized fair housing issues (such as equitable access to housing by historically marginalized populations). Most studies did not explore the roles of housing in economic development.
Blueprint Virginia 2030	2022	Virginia Chamber of Commerce	Blueprint Virginia is a statewide initiative that “provides business leadership, direction, and long-range planning for Virginia”. In the housing section of this report, business leaders in Virginia believe that housing affects talent attraction, transportation, worker productivity, and quality of life. The report made many recommendations to improve housing options for the state workforce.

Study	Year	Author	Finding
Roles of Housing in Economic Development			
Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing	2021	Rosen Consulting Group	The study reported that to address the current housing shortage, approximately 550,000 additional new housing units would need to be constructed per year over and above the historical trend of 1.5 million new units in the nation. The total economic impact of building those additional new homes per year would support an estimated 2.8 million new jobs and generate approximately \$411 billion in additional economic activity (including direct, indirect, and induced measures).
The Economic Impact of Home Building in a Typical Local Area: Income, Jobs, and Taxes Generated	2015	National Association of Home Builders	Using examples of constructing single-family and multifamily homes, this report demonstrated that home building generates substantial local economic activity, including new income and jobs for residents, and additional tax revenue for local governments.
The Economic Impact of Public Housing: Ongoing Investment with Wide Reaching Returns	2018	CLPHA	Public housing generates a wide range of economic impact in terms of spending on construction. This segment also created jobs and generated tax revenue for local governments. Public housing also had social benefits by connecting low-income workers with economic opportunities and reduced homelessness.
The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development	2011	Center for Housing Policy	Affordable housing can affect the ability of businesses to attract and retain employees and can thus have implications for regional economic competitiveness. Given the alternative, individuals will abandon areas with the highest housing costs for opportunity-rich regions with lower housing costs.
Housing Affordability and Economic Growth	2022	Jerry Anthony	This study found that decreasing housing affordability had a statistically significant negative effect on gross domestic product growth in metropolitan areas. The shortcoming of this research is that its results only applied to large metropolitan areas and not to rural areas – which could face different housing challenges.
Unaffordable housing and local employment growth: Evidence from California municipalities	2015	Ritashree Chakrabarti and Junfu Zhang	Using data from California, this study provided evidence that unaffordable housing slowed local employment growth. The reasons could be that high housing prices in California cities implied high land costs for other commercial and industrial development, thus impeding job creation in those areas.
A Regional Analysis of the Relationship Between Housing Affordability and Business Growth	2021	Uche Oluku and Shaoming Cheng	Using data from all counties in the nation, this study found compelling evidence that an increase in homeowner and renter cost burden had a statistically significant adverse effect on business growth in three business sectors: retail, information, and professional services. This limitation left a knowledge gap related to whether other important sectors – such as manufacturing, healthcare, or transportation – can also be affected by home affordability.
The Impacts of Affordable Housing on Education: A Research Summary	2014	Maya Brennan, Patrick Reed, and Lisa Sturtevant	A growing body of research suggested that stable and affordable housing would increase opportunities for child educational success. Affordable housing may foster the educational success of low-income children by supporting family financial stability and reducing mobility. It provides a safe, nurturing living environment and a platform for community development.
How Housing Can Determine Educational, Health, and Economic Outcomes	2018	Veronica Gaitan	Focusing on health benefits of stable housing, this study concluded that individuals living in unstable homes tended to have more hospital visits and mental health-related issues. Families living in poor-quality housing also reported more asthma-related incidents as well.
Moderate-Income Rental Housing: Assessing its Viability as an Asset Class for Real Estate Investment with Environmental, Social, and Governance Criteria	2022	Mark Roberts and Jake Wegmann	This study built a case for investment in affordable or workforce housing. They found that MIRH compared favorably in terms of its return and has a lower variation in total returns from year to year (risk) since 2011, as compared to other common asset classes. More importantly, this type of investment fits into the category of socially focused investments and can be attractive for investors seeking opportunities in environment, social, and government (ESG)-focused investments.
Addressing the Impact of Housing for Virginia's Economy, A Report for Virginia's Housing Policy Advisory Council	2017	Virginia Coalition of Housing and Economic	This study concluded that housing was the sixth-largest private sector industry in the state in terms of employment. The study also explained multiple ways housing could affect economic development. It found that a combination of high housing and transportation costs could lead to decreased productivity and deter business expansion. In addition, high housing costs affect

Study	Year	Author	Finding
		Development Researchers	economic opportunities for families and individuals, while unaffordable and unstable housing negatively affects health and educational attainment of children, which influences the long-term economic growth of the state. This study provided evidence that housing is an important economic development factor in Virginia.
Economic and Programmatic Impact of Virginia Housing	2018	Research Team from GMU, VT, VCU, and Longwood University	This study estimated the impact of Virginia Housing in three functional areas: (1) homeownership programs, (2) rental housing programs, and (3) outreach and administration. The study concluded that for a five-year period from Fiscal Year (FY) 2014 to FY 2018, Virginia Housing generated \$10.0 billion economic impact in Virginia, and supported 65,916 jobs. Outside the significant economic impact, Virginia Housing helped over 70,000 households access affordable housing.
COVID-19, Inflation, and Recent Housing Trend			
Remote Work and Housing Demand	2022	Augustus Kmetz, John Mondragon, and Johannes Wieland	The study found the pandemic changed housing demand. During the pandemic, remote work became widespread. As the pandemic receded, the trend of remote work persists to a certain degree, allowing Americans to buy homes further away from cities and traditional job centers. This remote-work trend not only affects housing demand and housing prices, but also demand for commercial space such as offices.
Addressing the Housing Affordability Crisis as COVID-19's Impact Continues	2022	Faith Weekly	This article concluded that the COVID-19 pandemic exacerbated the existing rental affordability crisis, as job losses and reduced hours forced many households to fall back on savings, credit cards, and loans from friends and family.
Housing inflation is hitting low-income renters	2022	Scott Fulford	This study reported that housing price inflation affected low-income renters especially hard. Current homeowners, especially those with fixed mortgages, are not burdened by such increases. Some may even benefit from home price inflation as they sell or refinance.
How Does the Consumer Price Index Account for the Cost of Housing?	2022	David Wesel and Sophia Campbell	Housing represents about a third of the value of the market basket of goods and services that the Bureau of Labor Statistics (BLS) uses to track inflation in the Consumer Price Index. The study found that a rise in the price of housing contributed to the increase in inflation in early 2022.
Are Millennials a Generation of Renters?	2023	Bob Adams	The Millennial generation (born between 1981 and 1996) is becoming the largest demographic group in the nation and is the main driver of demand in the U.S. housing market. However, this report indicated that a large percentage of them would become permanent renters.
These Charts Show Why Most Millennials Couldn't Buy Homes at 24	2022	Paulina Cacherero and Ella Ceron	The Millennial generation came of age during the housing crisis and the Great Recession of 2007 to 2009. The tough economic conditions and high student loan debt prevented many of them from becoming homeowners. The report concluded that demand for multifamily housing will outpace demand for single-family homes.
Planning for the Housing Needs of an Aging Population	2021	Institute for Housing Studies at DePaul University	The study reported that the aging of the nation's population is one of the most significant demographic shifts of our time. It is estimated that older adults aged 65 and above will grow from 26% of the U.S. population to an estimated 34% by 2038. There are significant concerns that cities and communities are not prepared to adequately meet the housing needs of this segment of the population.
Housing Innovations			
The 2022 Innovative Housing Showcase: An After-Action Review of Events and a Reflection on Related HUD Research	2022	Alaina Stern	This article summarized technological innovations in home building. Examples of new technologies include manufactured and modular housing, volumetric construction, 3D concrete printing (3DCP), insulated concrete forms (ICF), and panelized wall systems. These innovations have the potential to increase the housing supply.
ADUs Can Increase Housing Stock, But Most Are Unfamiliar	2023	Freddie Mac	Accessory Dwelling Units (ADU) are becoming popular as homes for aging parents and guest homes. A Freddie Mac survey found that 32% of

Study	Year	Author	Finding
			respondents who do not currently own an ADU reported interest in having one on their property in the future.
The Rise of Co-living	2020	CBRE	Co-living housing has captured the attention of the multifamily industry. These are purpose-built or renovated multifamily assets designed around several unrelated individuals sharing an apartment unit, sometimes referred to as a “pod.” The tight urban housing market is pointing to a future in which co-living is a viable and beneficial housing option for all life stages.
Best Practices			
First in Talent, Strategic Economic Development for the State of North Carolina	2021	NC Department of Commerce	North Carolina included housing strategies in their statewide economic development strategic plan. The plan recognized that improving regional access to quality, affordable housing and transportation is important to grow and retain a vibrant workforce and attractive local communities. The plan also laid out various strategies to address housing challenges in the state.
Annual Report of Incentive Housing Zone Program/Housing for Economic Growth (HEC) Program, 2022	2022	Connecticut State Department of Housing	Connecticut implemented “Housing for Economic Growth Program”. The program aims to help municipalities create mixed-income housing that is critical to attracting and retaining young professionals, working families, and people in critical occupations.
Rural Workforce Housing Fund	2023	Nebraska Department of Economic Development,	The state of Nebraska implemented the Rural Workforce Housing Fund program to address workforce housing needs. The program focuses especially on the needs of workers in difficult-to-fill occupations in rural communities with fewer than 100,000 residents. In 2022, the state allocated \$30 million to this program.
How Governors Are Addressing Housing Access And Affordability And The Connection To Workforce Success	2023	National Governors Association	This report summarized actions taken by various governors to address housing challenges and improve workforce outcomes. In California and Montana, their governors helped pass legislation to address barriers in home development. Governors of both Georgia and Connecticut allocated money for rural housing and workforce housing development.
Housing is a Major 2023 Corporate Site Location Trend	2023	The Montrose Group	Using Ohio as an example, the study showed that urban and rural areas faced different housing challenges. While there are high housing costs in urban areas, there is a lack of housing in rural areas. The report provided a case study of the City of Bowling Green, which developed innovative policies to address housing issues. To address the housing shortage, the city worked directly with regional residential developers and provided them with an opportunity to construct residential housing on city-controlled property.
Best Practices in Suburban Housing Affordability	2021	Craig Carpenter and Tyler Augst	Durham, NC and Atlanta, GA reformed zoning in 2019 to allow for denser housing in certain areas, allowing four to six housing units in a typical lot that previously allowed one single-family unit. In 2019, the Minneapolis City Council amended their zoning ordinance to implement policy plans by allowing two- and three- family dwellings in zones that had previously been restricted to one- or two-family dwellings. States like Oregon and California have recently enacted laws mandating communities to allow ADUs in certain locations.
Bailey’s Crossroads Office Building Conversion Shows How Fairfax is Putting Strategies in Action to Combat High Office Vacancy Rate	2016	Fairfax County Department of Resources	Fairfax County has been a leader in drafting new policies to provide guidance for building reposition and repurposing. The Bailey’s Crossroads Office Building conversion is such an example. The empty office building originally constructed in the 1960s was converted to live-work units in an area with high housing costs.
Best Practices in Affordable Housing	2015	Housing Forward Virginia	This study provided several examples of best practices in Virginia. In Tysons Corner in Fairfax County, Virginia, the county’s development plan required that 20% of new residences be set aside for workforce or affordable housing. In Winchester, Virginia, the city provided incentives for property owners and developers to remove and rebuild or renovate derelict buildings.
Cultivating Connections: A Housing and Economic Development Strategy	2018	Georgia Tech	In the Mechanicsville neighborhood of Atlanta, Georgia, land is scarce and land prices are high. To increase the affordable housing supply, strategies were created to turn underutilized or vacant city-owned land into affordable

Study	Year	Author	Finding
for the Mechanicsville Neighborhood of Atlanta			housing developments. In addition, recommendations were made to change Atlanta zoning codes to make building affordable housing easier.
In the DC Suburbs, an Artful Compromise over Density and Housing	2023	Linda Poon	The city of Silver Spring, Maryland, wanted to develop a vacated police station into affordable apartments, but faced objections from local residents – mostly single-family homeowners. The solution was to develop the station into low-cost live-work units for artists which increased the affordable housing supply in the city. This solution received community support.
Local Tools to Address Housing Affordability: A State-By-State Analysis	2022	National League of Cities	Developed and published in collaboration with the 49 state municipal leagues, the report provided an in-depth look at the intersection of state policies and local housing markets. This report summarized housing-related policies in the areas of accessory dwelling units, development incentives, housing trust funds, housing vouchers, inclusionary zoning, rent control, and tax incentives.

Appendix 2: Economic Impact of the Housing Industry

The housing industry can create jobs and generate tax revenue, which are both significant contributors to national and local economies. A 2021 study by Rosen Consulting Group for the National Association of Realtors® summarized the related impact in the country⁹¹ and reported that to address the current housing shortage, approximately 550,000 additional new housing units would need to be constructed per year. This is over and above the historical trend of 1.5 million new homes annually. The total economic impact of building 550,000 additional new homes per year for the next 10 years would support an estimated 2.8 million jobs and generate approximately \$411 billion annual economic impact in the country. This impact includes the direct, indirect, and induced impact and is spread across multiple industry sectors.

Similarly, the National Association of Home Builders published a study that highlighted the economic (or multiplier) impact of the home building industry.⁹² Using examples of constructing single-family and multifamily homes, the report demonstrated that home building generates substantial local economic activity. This includes new income, jobs for residents, and additional tax revenue for local governments.

Other studies focused on the job creation impact in a particular housing segment, city, or county. For example, one 2018 study indicated that public housing segments generated a wide range of economic impact such as spending on construction.⁹³ Public housing also created jobs and generated tax revenue for local governments. Finally, it provided social benefits by reducing homelessness and connecting low-income workers with economic opportunities.

A Virginia study estimated the economic impact of the housing sector and provided evidence that housing is an important economic development factor in Virginia. A 2017 study prepared for Virginia's Housing Policy Advisory Council⁹⁴ estimated the economic impact of the housing sector and concluded that it was the sixth-largest private sector industry in the state in terms of employment, supporting 314,000 jobs in 2015. The study also explained multiple ways housing could affect economic development. It found that high combined housing and transportation costs could lead to decreased productivity and deter business expansion. In addition, high housing costs affect economic opportunities for families and individuals. Unaffordable and unstable housing negatively affects health and educational attainment of children, which influences the long-term economic growth of the state.

A 2019 economic impact study highlighted the economic and programmatic impact of Virginia Housing.⁹⁵ This study estimated the impact of Virginia Housing in three functional areas:

1. Homeownership programs
2. Rental housing programs
3. Outreach and administration

⁹¹ Rosen Consulting Group, "Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing, June 2021," accessed February 28, 2023, <https://www.nar.realtor/sites/default/files/documents/Housing-is-Critical-Infrastructure-Social-and-Economic-Benefits-of-Building-More-Housing-6-15-2021.pdf>.

⁹² National Association of Home Builders, "The Economic Impact of Home Building in a Typical Local Area: Income, Jobs, and Taxes Generated," accessed February 28, 2023, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/economic-impact/economic-impact-local-area-2015.pdf>.

⁹³ Council of Large Public Housing Authorities (CLPHA), "The Economic Impact of Public Housing: Ongoing Investment with Wide Reaching Returns," October 2018, accessed February 28, 2023, https://clpha.org/sites/default/files/documents/EconomicImpactPublicHousing_final2_digital_0.pdf.

⁹⁴ Virginia Coalition of Housing and Economic Development Researchers, "Addressing the Impact of Housing for Virginia's Economy, A Report for Virginia's Housing Policy Advisory Council," November 2017, accessed May 10, 2023, <https://www.vchr.vt.edu/publications/addressing-impact-housing-virginia%E2%80%99s-economy>.

⁹⁵ Joint Research Team from GMU, VT, VCU, and Longwood University, "Economic and Programmatic Impacts of Virginia Housing," March 2020, [Virginia-Housing-RD.-1-3-16-2020_w_cover-FINAL.pdf \(gmu.edu\)](https://www.virginia-housing-rd.-1-3-16-2020_w_cover-FINAL.pdf).

The study concluded that for a five-year period from Fiscal Year (FY) 2014 to FY 2018, Virginia Housing generated \$10 billion economic impact in the state and supported 65,916 jobs. In addition to the significant economic impact, Virginia Housing helped over 70,000 households access affordable housing. Of the nine GO Virginia regions, Virginia Housing generated the largest impact in Northern Virginia (Region 7) and Hampton Roads (Region 5).

Appendix 3: Focus Group Instrument

Following introductions and background on the goals of this study, regional data were presented on building permits over time by unit type and price, homeownership rates, housing type, population by Area Median Income, statewide month's supply of housing inventory, and average home sales price over time.

Current Housing and Demographic Trends

1. Does the data presented reflect conditions you are seeing in your region?
 - a. How have you seen home prices and affordability change in your region?
 - b. What demographic trends are affecting housing demand in your region?
2. What are the most impactful barriers to building housing in your region?
3. What trends are you seeing related to those barriers? Are things improving/not improving or getting easier/harder?



How is Housing Linked to Economic Development?

4. Do you think housing plays a role in economic development in your region? If so, how? Or if not, why not?
5. How do you currently work with local planning departments, housing developers, etc. as part of business retention/attraction efforts?
 - a. How can housing development play a role in moving your vision of economic development in your region forward?
6. What current economic development issues or opportunities are linked to housing?
 - a. Do you have any examples of home availability impacting business location decisions and other economic development goals?
7. What best practices are you aware of in your region or elsewhere for coordinating housing availability with economic development?
 - a. What are private companies doing?

Strategies

8. What are your primary housing priorities and concerns for your region? How can state and local agencies help?
 - a. How can other organizations such as non-profits, private industry, economic developers, Chambers of Commerce, etc. help?
9. Are there any other questions or points we should consider in this study?




Appendix 4: Regional Stakeholder Summary

Regions	Housing Insights	Economic Development Roles	Impacts
<p>U.S.</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> Aging population 25% of Millennials expect to become renters 	<p>There is an increased demand for senior housing.</p> <p>Millennials are the largest demographic group driving demand for U.S. housing.</p> <p>Nearly 25% of millennials expect to become permanent renters.</p> <p>Demand for multifamily units is expected to outpace demand for single-family homes.</p>		<p>impacts from the pandemic:</p> <ul style="list-style-type: none"> Limited construction supplies Increase in remote work Increased costs for housing stock <p>Millennial impacts from the Great Recession of 2007-2009:</p> <ul style="list-style-type: none"> Student debt Steady home price increases⁹⁶ <p>A rapid rise in inflation occurred due to the post-pandemic housing demand.</p> <p>Housing is a third of CPI, and there has been a 16% increase in home prices through 2023.</p>
<p>Virginia</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> Aging population 	<p>There are limited senior living options.</p> <p>Gaps exist between housing demand and supply across urban, suburban, and rural areas of Virginia.</p> <p>The pandemic further heightened long-standing housing issues, bringing them to the forefront of economic development discussions.</p> <p>Housing has an impact on transportation and quality of life.</p> <p>Among every GO Virginia region, stakeholders confirmed housing affordability was a prominent concern. Home prices are rising significantly in each region, often outpacing the wage increases of their residents.</p>	<p>Economic developers have reported lost opportunities due to housing challenges, highlighting the need for comprehensive solutions.</p> <p>Demand for multifamily units is expected to outpace demand for single-family homes.</p>	<p>Lack of housing is a real barrier to economic development in rural parts of the state.</p> <p>The perception of better housing in neighboring states such as North Carolina disadvantages Southern Virginia in talent recruitment and business attraction.</p> <p>Wages that lag housing costs impacts affordability of housing for low-and mid-income workers.</p>
<p>Region 1</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> Aging population <p>Major Takeaways:</p> <ul style="list-style-type: none"> More single-family homes Recent graduates & young workers Housing is less affordable due to slow wage growth Housing stock is low Aging housing stock Homelessness Past population declines High prices/low availability Impacts on tourism 	<p>There is an increase in homelessness but few recovery programs. There are also restrictions on temporary housing.</p> <p>There are concerns about aging cohorts and their access to safe housing.</p> <p>A need exists for accurate market data and tools to develop market-focused solutions.</p>	<p>Housing is affecting the workforce and the ability to recruit workers.</p> <p>Housing growth rates should match economic development goals.</p> <p>Region 1 has aimed to build networks within the housing community and expand technology and businesses in existing industrial parks.</p> <p>Wythe County will have the urgent need to address living and training facilities as its \$714 million medical glove plant opens.</p> <p>Planning is key.</p>	<p>A lack of affordable housing is challenging businesses and institutions to recruit and retain skilled workers.</p> <p>Access to safe housing can lead to inventory abandonment—reducing available supply.</p> <p>Lack of adequate public transportation options is making workplace commuting difficult and adding to transportation challenges.</p>

⁹⁶ Bob Adams, “Are Millennials a Generation of Renters?” February 2023, Housing Forward Virginia, accessed February 21, 2023, <https://housingforwardva.org/news/fwd-183-millennial-homeownership/>.




HOUSING AND ECONOMIC DEVELOPMENT



VIRGINIA HOUSING

<p>Region 2</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> • Aging population <p>Major Takeaways:</p> <ul style="list-style-type: none"> • Home affordability • High-end construction costs • Builders focused on luxury homes • High-end apartments • Lack of robust population growth 	<p>Seniors, college graduates, and skilled workers are migrating out of the region in search of better living conditions.</p> <p>There is a need for accurate market data and tools to develop market-focused solutions.</p> <p>Housing development plays a crucial role in attracting and retaining workers, particularly in essential industries such as education.</p> <p>Providing affordable housing options near universities and rural areas will attract and retain workers.</p>	<p>Housing is affecting the workforce and the ability to recruit workers. A lack of affordable housing is challenging businesses and institutions to recruit and retain skilled workers.</p> <p>Housing growth rates should match economic development goals.</p> <p>Home availability, community engagement, and data availability are linked to economic development.</p>	<p>Lack of adequate public transportation options is making workplace commuting difficult and adding to transportation challenges.</p> <p>Reduced demand for housing and decreased population growth limit incentives for developers and construction workers to build needed new housing stock in the region.</p> <p>Planning and coordination is needed.</p>
<p>Region 3</p> <p>Major takeaways:</p> <ul style="list-style-type: none"> • Housing is the #1 issue in some counties • Housing prices & inflation are increasing faster than wages • Impacts vary by employment and industry • Chronically losing talent to North Carolina 	<p>Quality-of-life improvements were made in several localities, making the region more attractive for current and incoming residents.</p> <p>Region 3 also recognized the need for significant funding to support various housing types, including higher-end housing. Repurposing old buildings into housing and fostering private company investments in housing development were examples of innovative practices in the region.</p>	<p>One benefit of these improvements is an increased number of developers in the region.</p>	<p>Current housing supply remains limited.</p> <p>Regions 3 and 5 emphasized the importance of providing all levels of housing to meet the diverse needs of their communities. These regions also highlight the significance of sustainability and redevelopment projects. Region 3 also recognized the need for significant funding. Repurposing old buildings into housing and fostering private company investments in housing development were examples of innovative practices in the region.</p>
<p>Region 4</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> • Aging population <p>Major Takeaways:</p> <ul style="list-style-type: none"> • Housing has worsened • Average new home construction is \$500,000 • Rental rates are increasing • Low apartment vacancy rates • Rents are higher than mortgage payments • Downsizing of firefighters, teachers, and nurses • Workers can't afford to live and work in the same place • Unfriendly building regulations • Funding issues exist 	<p>Quality-of-life improvements were made in several localities, making the region more attractive for current and incoming residents.</p> <p>One benefit of these improvements is an increased number of developers in the region; however, the current housing supply remains limited.</p> <p>Housing is affecting the workforce and the ability to recruit workers. A lack of affordable housing is challenging businesses and institutions to recruit and retain skilled workers.</p> <p>There is a need for accurate market data and tools to develop market-focused solutions.</p> <p>Aligning economic development goals with housing growth rates in each locality was emphasized. Workforce housing issues and accurate market data were key.</p>	<p>Quality-of-life improvements are making the region more attractive for current and incoming residents.</p> <p>Housing growth rates should match economic development goals.</p>	<p>Region 4 identified that in particular localities, land can be prohibitively expensive, further limiting the availability of suitable land for housing projects.</p> <p>The success of a mixed-use development in Short Pump (Richmond) has attracted a younger population and remote workers, resulting in migration from outside areas into Richmond.</p>
<p>Region 5</p> <p>Major Takeaways:</p> <ul style="list-style-type: none"> • Rising costs • Shortage of inventories • Worker issues in manufacturing and hospitality 	<p>The housing shortage has increased as new workers are looking for places to live.</p>	<p>A lack of affordable housing is challenging businesses and institutions to recruit and retain skilled workers.</p>	<p>Much of the Virginia Beach section of Region 5 was described as "built out," with limited land creating competition between housing and commercial development.</p>

HOUSING AND ECONOMIC DEVELOPMENT

VIRGINIA HOUSING

<ul style="list-style-type: none"> Hampton—luxury apartments Norfolk—older homes & mismatches to consumer needs Multifamily housing is booming Single-family housing is lagging Land scarcity NIMBY issues Unfriendly zoning and regulations Lack of low-income housing and associated traffic and parking issues 	<p>Housing is affecting the workforce and the ability to recruit workers.</p> <p>Old housing stock should be redeveloped.</p> <p>Mixed-use developments should be promoted.</p> <p>Policies should consider local demand for housing.</p>	<p>There is a high association between overall economic health and housing.</p> <p>There is a need to engage the local Chamber of Commerce.</p>	<p>It is important to provide all levels of housing to meet the diverse needs of their communities.</p> <p>There is extreme significance in sustainability and redevelopment projects.</p> <p>There is a need for significant funding to support various housing types, including higher-end housing.</p> <p>Repurposing old buildings into housing and fostering private company investments in housing development were examples of innovative practices in the region.</p>
<p>Region 6</p> <p>Major Takeaways:</p> <ul style="list-style-type: none"> King George County lacks affordable housing The City of Fredericksburg has healthy development but no available land Northern Neck—shoreline available No development of affordable homes Limited water and sewer 	<p>The housing shortage has increased as new workers are looking for places to live.</p> <p>High-density development and community strategies should be implemented to avoid urban sprawl.</p> <p>It is necessary to address workforce shortages in the construction industry.</p> <p>Needs exist for high-density development in regional towns.</p>	<p>Industrial development has changed housing demand and supply.</p> <p>Economic developers acknowledge housing is critical to this area.</p> <p>Opportunity zones do not change the nature of housing and economic development.</p> <p>RFPs are asking for housing data.</p>	<p>Being situated between Washington, D.C. and Richmond has led to a regional clustering of warehouses, data centers, and distribution centers.</p> <p>Workers in these developments are seeking housing stock.</p> <p>A Public Private Partnership (PPP) with Dominion Energy has helped extend broadband across the region.</p>
<p>Region 7</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> Aging population <p>Major Takeaways:</p> <ul style="list-style-type: none"> High wages can offset housing costs Historic trend for single-family neighborhoods Recent shift toward multifamily housing developments 20,000 units in the pipeline Demand for single-family housing is increasing 	<p>The region has faced a housing crunch for years as the population has grown. This has been compounded by an increased senior population and need for more senior living establishments.</p> <p>Millennial and Generation Z workers are moving to the suburbs, and there has been an increase in student and remote worker populations.</p>	<p>Infrastructure challenges may arise due to competition between housing and commercial development over access and funding.</p> <p>Region 7 stood out with its focus on mixed-use development and the redevelopment of office spaces for residential use.</p> <p>Examples included private companies supporting affordable housing programs, utilizing public land for housing development, and focusing on small area plans to balance housing and commercial development.</p> <p>The high costs associated with home building—including interest rates, labor costs, and materials costs—is an important barrier in the current economic environment.</p>	<p>Expansions in housing are hampered by environmental regulation.</p> <p>In rural areas, land is available but infrastructure is lacking.</p> <p>Housing is central to marketing the region's assets</p>
<p>Region 8</p> <p>Major Takeaways</p> <ul style="list-style-type: none"> Mismatch between housing supply and demand City of Waynesboro is focused on single-family housing Demand for rental and townhomes is increasing Mobile and manufactured homes meet workforce needs and income levels 	<p>There are affordable housing options, but the lack of infrastructure and transportation options are challenges for low-income workers.</p> <p>High-density development and community strategies should be implemented to avoid urban sprawl.</p> <p>It is necessary to address workforce shortages in the construction industry.</p>	<p>Economic developers are not saying housing stock is the number one problem in Economics Development Organization EDO.</p> <p>Affordable housing is the current issue.</p> <p>Workers are leaving due to wage issues.</p>	<p>There are affordable homes, but available stock is low.</p> <p>The link between economic development and housing is location-specific in the Shenandoah Valley.</p> <p>Bath and Highland counties are particularly disadvantaged for workforce housing</p> <p>School employees and health care workers are high among the list of those mainly impacted by housing shortages.</p>

			
<p>Region 9</p> <p>Demographic Trends:</p> <ul style="list-style-type: none"> • Aging population <p>Major Takeaways:</p> <ul style="list-style-type: none"> • Home prices continue to rise • Home affordability issues persist • Rental rates are rising • Home affordability impacts workers in entertainment, tourism, and service industries • Labor and construction costs are high • Population concerns • Increased homelessness • Migration of remote workers from Northern Virginia • Existing residents pushed out due to gentrification • Local workers forced to commute from farther away 	<p>Housing is affecting the workforce and the ability to recruit workers. A lack of affordable housing is challenging businesses and institutions to recruit and retain skilled workers.</p>	<p>Region 9 emphasized the connection between housing and workforce recruitment, with programs incentivizing job training and higher education.</p> <p>They also highlighted employer-assisted programs for housing.</p>	<p>Trends in out-migration adds to the demand for housing.</p> <p>There has been an increase in migration from Northern Virginia.</p> <p>Barriers to increasing housing</p> <ul style="list-style-type: none"> • Limited land • Competition between home and commercial development • Complicated zoning • High fees • Limited HUD funds • Supply chain challenges persist • Education needed around homeownership • Homelessness is rising