NORFOLK AFFORDABLE HOUSING STUDY

Study Organization

A. Market Conditions and Housing Needs Assessment
B. Recommended Housing Strategies
A. Market Conditions and Housing Needs Assessment
Norfolk Affordable Housing Study
Market Conditions & Housing Needs Assessment
September 2016
Affordable Housing Study Objectives

Assess affordable housing needs

Evaluate resources and systems

Determine financing gap for affordable housing

Recommend implementable housing strategies
Affordable Housing Study Approach

**Assessment of Conditions**
- Market Analysis
- Neighborhood Typology
- Housing Needs Assessment
- Affordable Housing Inventory

**Evaluation of Housing Tools**
- Financing Mechanisms and Strategies
- Housing Financial Gap Analysis
- Existing Housing Programs

**Recommended Housing Strategies**
- Housing Trust Fund Revenue Options
- Housing Redevelopment
- Neighborhood Revitalization
Current market conditions and needs in Norfolk:

The housing market has improved in Norfolk in recent years and the city is growing, the growth lags behind neighboring jurisdictions in a number of economic and housing measures. While Norfolk has a number of assets to retain and attract residents, the city also faces challenges in competing with neighboring jurisdictions.

Within Norfolk, housing market conditions differ considerably across different areas of the city. The downtown submarket is the largest driver of growth and development. Effective affordable housing strategies will align with market conditions at the neighborhood level.

There is a shortage of housing affordable for both low and moderate income households in Norfolk. This housing gap is larger for very low income households, as is the case in most cities. Norfolk must increase the supply of quality housing to meet the needs of residents.

Norfolk has a diverse portfolio of affordable housing that houses low and moderate income residents. Public housing is older and more concentrated than other affordable housing in Norfolk.
Market Analysis
Housing Needs Analysis
Existing Affordable Housing
The population of Norfolk is growing, but at a slower pace relative to the MSA.

From 2000 to 2016, Norfolk’s total population has increased from 234,000 to 246,000, a total increase of 12,000 residents.

Note: 2016 data is based on ESRI data projections
Sources: ESRI; HR&A Advisors
Poverty remains a challenge in Norfolk, with a higher share of households falling below the poverty level than neighboring cities.

**Poverty Rate 2014**

- **Norfolk**: 19%
- **Virginia Beach**: 8%
- **Chesapeake**: 9%
- **Portsmouth**: 16%
- **MSA**: 11%

Sources: ESRI; HR&A Advisors
Home values in Norfolk lag behind the overall region as well as some neighboring cities.

Sources: Zillow; HR&A Advisors
Norfolk is largely built out and requires a denser development pattern than neighboring cities.

Although Norfolk is not the largest city in the MSA, it is the most urbanized and densely populated.

Sources: American Community Survey; HR&A Advisors
As the central core of the MSA, Norfolk’s renter vs. owner breakdown skews toward renters relative to neighboring jurisdictions.

**TENURE BY CITY**

**2016**

<table>
<thead>
<tr>
<th></th>
<th>Owner Occupied</th>
<th>Renter Occupied</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NORFOLK</strong></td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>VIRGINIA BEACH</strong></td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>CHESAPEAKE</strong></td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>PORTSMOUTH</strong></td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Note: 2016 data is based on ESRI data projections
Sources: ESRI; HR&A Advisors
Norfolk is experiencing both population and new housing development

**RESIDENTIAL BUILDING PERMITS**

Norfolk 2005-2015

The number of households in Norfolk has increased by 2,400 since 2000, during which 3,600 net new housing units have been developed.

Sources: Census; HR&A Advisors
The multifamily market is showing signs of strength, including positive absorption in recent years and reduced vacancy.

**MULTIFAMILY HISTORY**

Norfolk
2000 - 2016

Sources: CoStar; HR&A Advisors
As new product is delivered, rents have experienced modest growth.

### MULTIFAMILY RENT
Norfolk
2005-2016

- **Downtown**: $1.48/SF, +17% in Norfolk
- **Ocean View**: $1.26/SF
- **ODU/Ghent**: $1.25/SF
- **Norfolk Downtown**: $1.07/SF

Sources: CoStar; HR&A Advisors
Multifamily units are concentrated close to Downtown, but there are notable pockets of multifamily units in Ocean View and in other neighborhoods.

**MULTIFAMILY STOCK DISTRIBUTION**

*“Multifamily” is defined as having 3 or more units in one structure.*

Sources: Policy Map, HR&A Advisors
Downtown Norfolk is the strongest residential submarket in Norfolk, representing over a third of growth and development.

**POPULATION GROWTH**

Norfolk 2010 - 2016

- 3,250 residents
  - 2,150 Residents
  - 1,100 Residents

- 34% Downtown

**MULTIFAMILY DEVELOPMENT PIPELINE**

Norfolk 2016

- 1,650 units
  - 1,000 Units
  - 650 Units

- 39% Downtown

Notes: Multifamily pipeline includes units that are under construction and planned.
Sources: CoStar; HR&A Advisors
Recent market rate multifamily development has been focused in Downtown and a few other areas of the city.

**NEW MARKET RATE MULTIFAMILY CONSTRUCTION**

2010 - 2016

- **Covepoint**: $1.49/SF
- **Monticello Stn.**: $1.49/SF
- **The James**: $2.30/SF
- **Wainwright**: $1.96/SF
- **The Law**: $2.20/SF

**Sources**: CoStar; HR&A Advisors

- **Projects Constructed**: 13
- **Units Constructed**: 1,743
- **Average Rent/SF**: $1.77

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Norfolk Affordable Housing Study | 15
Similarly, new multifamily development is primarily located in a few strong residential markets.
While multifamily is important, single family housing is the dominant type of housing in Norfolk. 

**SINGLE FAMILY HOUSING DISTRIBUTION**

- 71% Percent of total housing units in Norfolk that are single family housing
- 42% Percent of renters in Norfolk live in single family housing

Sources: PolicyMap; American Community Survey PUMS data; HR&A Advisors
Like the multifamily market, the single family market is showing similar signs of strength, including stabilization of home values since the recession…

Although home values have yet to return to their pre-recession peak, prices have stabilized and grown by a small amount since 2013.

Sources: Zillow; HR&A Advisors
...and increased construction in recent years.

**SINGLE FAMILY BUILDING PERMITS**  
Norfolk  
2005-2014

Sources: Census; HR&A Advisors
The strength exhibited by the Norfolk residential market is unevenly distributed across all neighborhoods.

**MEDIAN RENT 2016**

Norfolk: $796

Sources: ESRI; HR&A Advisors
To account for variations in market conditions across the City, HR&A set submarket typologies according to residential strength.

<table>
<thead>
<tr>
<th></th>
<th>STRONG SUBMARKET</th>
<th>TIPPING POINT SUBMARKET</th>
<th>WEAK SUBMARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth</td>
<td>&gt; 10%</td>
<td>0% - 10%</td>
<td>&lt; 0%</td>
</tr>
<tr>
<td>Vacancy</td>
<td>&lt; 8%</td>
<td>8% - 12%</td>
<td>&gt; 12%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>&gt; $55,000</td>
<td>$35,000 - $55,000</td>
<td>&lt; $35,000</td>
</tr>
<tr>
<td>Median Rent</td>
<td>&gt; $950</td>
<td>$650 - $950</td>
<td>&lt; $650</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>&gt; $250,000</td>
<td>$170,000 - $250,000</td>
<td>&lt; $170,000</td>
</tr>
<tr>
<td>Homeownership</td>
<td>&gt; 50%</td>
<td>40% - 50%</td>
<td>&lt; 40%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>&lt; 15%</td>
<td>15% - 23%</td>
<td>&gt; 23%</td>
</tr>
</tbody>
</table>
Submarket: Downtown

**DOWNTOWN**  **NORFOLK**

<table>
<thead>
<tr>
<th></th>
<th>DOWNTOWN</th>
<th>NORFOLK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population change 2000 - 2016</td>
<td>84%</td>
<td>5%</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$71,000</td>
<td>$44,000</td>
</tr>
<tr>
<td>Median Rent</td>
<td>$1,310</td>
<td>$800</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$409,000</td>
<td>$209,000</td>
</tr>
<tr>
<td>Homeownership Rate</td>
<td>37%</td>
<td>44%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>11%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Typology: Strong submarket**

Sources: ESRI; HR&A Advisors
Submarket: Colonial Place / Riverview

**COLONIAL PLACE NORFOLK / RIVERVIEW**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2000 - 2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population change</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$57,000</td>
<td>$44,000</td>
</tr>
<tr>
<td>Median Rent</td>
<td>$1,130</td>
<td>$800</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$318,000</td>
<td>$209,000</td>
</tr>
<tr>
<td>Homeownership Rate</td>
<td>54%</td>
<td>44%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>8%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Sources: ESRI, HR&A Advisors

Typology: Strong submarket
### Submarket: Ocean View

<table>
<thead>
<tr>
<th>OCEAN VIEW</th>
<th>NORFOLK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4%</strong></td>
<td><strong>5%</strong></td>
</tr>
<tr>
<td><strong>13%</strong></td>
<td><strong>10%</strong></td>
</tr>
<tr>
<td><strong>$76,000</strong></td>
<td><strong>$44,000</strong></td>
</tr>
<tr>
<td><strong>$650</strong></td>
<td><strong>$800</strong></td>
</tr>
<tr>
<td><strong>$592,000</strong></td>
<td><strong>$209,000</strong></td>
</tr>
<tr>
<td><strong>46%</strong></td>
<td><strong>44%</strong></td>
</tr>
<tr>
<td><strong>20%</strong></td>
<td><strong>19%</strong></td>
</tr>
</tbody>
</table>

**Typology: Tipping point submarket**

Sources: ESRI; HR&A Advisors
## Submarket: Campostella Heights

### CAMPOSTELLA HEIGHTS

<table>
<thead>
<tr>
<th>CAMPOSTELLA HEIGHTS</th>
<th>NORFOLK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Population change 2000 - 2016</td>
<td></td>
</tr>
<tr>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td></td>
</tr>
<tr>
<td>$39,000</td>
<td>$44,000</td>
</tr>
<tr>
<td>Median Household Income</td>
<td></td>
</tr>
<tr>
<td>$940</td>
<td>$800</td>
</tr>
<tr>
<td>Median Rent</td>
<td></td>
</tr>
<tr>
<td>$180,000</td>
<td>$209,000</td>
</tr>
<tr>
<td>Median Home Value</td>
<td></td>
</tr>
<tr>
<td>58%</td>
<td>44%</td>
</tr>
<tr>
<td>Homeownership Rate</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td></td>
</tr>
</tbody>
</table>

**Typology: Tipping point submarket**

Sources: ESRI; HR&A Advisors
Submarket: Park Place

**PARK PLACE** | **NORFOLK**
---|---
2% | 5%
Population change 2000 - 2016
12% | 10%
Housing Vacancy
$28,000 | $44,000
Median Household Income
$680 | $800
Median Rent
$179,000 | $209,000
Median Home Value
36% | 44%
Homeownership Rate
19% | 19%
Poverty Rate

Typology: Tipping point submarket

Sources: ESRI; HR&A Advisors
# Submarket: Norview

## NORVIEW vs NORFOLK

<table>
<thead>
<tr>
<th>Metric</th>
<th>Norview</th>
<th>Norfolk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population change 2000-16</td>
<td>-5%</td>
<td>5%</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$23,000</td>
<td>$44,000</td>
</tr>
<tr>
<td>Median Rent</td>
<td>$750</td>
<td>$800</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$110,000</td>
<td>$209,000</td>
</tr>
<tr>
<td>Homeownership Rate</td>
<td>32%</td>
<td>44%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>26%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Typology: Weak submarket**

Sources: ESRI; HR&A Advisors
Submarket: Greater St. Paul’s

## Greater St. Paul’s vs. Norfolk

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Population change 2000 - 2016</th>
<th>Housing Vacancy</th>
<th>Median Household Income</th>
<th>Median Rent</th>
<th>Median Home Value</th>
<th>Homeownership Rate</th>
<th>Poverty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater St. Paul’s</td>
<td>0%</td>
<td>6%</td>
<td>$13,000</td>
<td>$220</td>
<td>N/A</td>
<td>2%</td>
<td>70%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>5%</td>
<td>10%</td>
<td>$44,000</td>
<td>$800</td>
<td>$209,000</td>
<td>44%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Typology: Weak submarket

Sources: ESRI; HR&A Advisors
Norfolk’s housing market is experiencing steady but unevenly distributed growth.

**OPPORTUNITY**

- Development activity has increased in Norfolk in recent years in the wake of the Great Recession.
- Vacancy has decreased and absorption is positive, which indicates improving residential market conditions.
- There is likely to be continued demand for new housing units Downtown in the long-term to further the residential growth that has taken place there in recent years. Almost 40% of planned multifamily development is located Downtown.

**CONTINUED CHALLENGES**

- Market conditions vary greatly between submarkets in Norfolk. Current rents in across Norfolk are likely to support new residential development only in select locations.
- Despite increased development activity in recent years, tepid population growth has restrained new housing development.
- There are competing options for housing outside of Norfolk in neighboring jurisdictions such as Virginia Beach and Chesapeake.
Market Analysis

**Housing Needs Analysis**

Existing Affordable Housing
The vast majority of households making under 80% AMI are renter households.

<table>
<thead>
<tr>
<th>Income Limit</th>
<th>Renter</th>
<th>Homeowner</th>
<th>Predominantly Renters</th>
<th>Predominantly Homeowner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30%</td>
<td>91%</td>
<td>9%</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>$24,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30% - 50%</td>
<td>84%</td>
<td>16%</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>$35,450</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50% - 60%</td>
<td>81%</td>
<td>19%</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>$42,400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% - 80%</td>
<td>69%</td>
<td>31%</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>$56,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80% - 100%</td>
<td>49%</td>
<td>51%</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>$70,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 100%</td>
<td>29%</td>
<td>71%</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>$70,900+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Income limit is based on the AMI for a four person household.
Sources: American Community Survey PUMS Data; HR&A Advisors
Within Norfolk, over 40% of renter households make 50% or less of the MSA’s AMI.

<table>
<thead>
<tr>
<th>Income Limit</th>
<th>Household AMI Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30%</td>
<td>$24,250</td>
</tr>
<tr>
<td>30% - 50%</td>
<td>$35,450</td>
</tr>
<tr>
<td>50% - 60%</td>
<td>$42,400</td>
</tr>
<tr>
<td>60% - 80%</td>
<td>$56,700</td>
</tr>
<tr>
<td>80% - 100%</td>
<td>$70,900</td>
</tr>
<tr>
<td>Above 100%</td>
<td>$70,900+</td>
</tr>
</tbody>
</table>

Sources: American Community Survey PUMS Data; HR&A Advisors
There is a shortage of affordable rental units in Norfolk across low- and moderate-income households.

![Graph showing rental households and rental units by AMI level]

**Norfolk 2014**

**Sources:** American Community Survey PUMS Data, HR&A Advisors
Norfolk has a higher portion of rent-burdened households and the need is growing faster than the state and nation.

**RENT-BURDENED HOUSEHOLDS**
(> 30% Of Income Toward Housing Costs)
City of Norfolk, Virginia & United States
2009 & 2014

**EXTREMELY RENT-BURDENED HOUSEHOLDS**
(> 50% Of Income Toward Housing Costs)
City of Norfolk, Virginia & United States
2009 & 2014

Note: Rent burdened households are defined as spending more than 30% of income on housing costs (gross rent, including utilities). Extremely rent burdened households are defined as spending more than 50% of income on housing costs (gross rent, including utilities).

Sources: Policy Map; American Community Survey PUMS Data; HR&A Advisors
Norfolk homeowners are concentrated at higher incomes and do not face a housing gap.

**HOMEOWNERS AND MORTGAGED HOMES BY AMI LEVEL**

Norfolk 2014

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>Households</th>
<th>Mortgaged Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30%</td>
<td>$24,250</td>
<td>$3,760</td>
</tr>
<tr>
<td>50%</td>
<td>$35,450</td>
<td>$5,570</td>
</tr>
<tr>
<td>60%</td>
<td>$42,400</td>
<td>$7,400</td>
</tr>
<tr>
<td>80%</td>
<td>$56,700</td>
<td>$9,670</td>
</tr>
<tr>
<td>100%</td>
<td>$70,900</td>
<td>$12,190</td>
</tr>
<tr>
<td>Above 100%</td>
<td>$70,900+</td>
<td>$12,190</td>
</tr>
</tbody>
</table>

Income Limit: $70,900+

Sources: American Community Survey PUMS Data; HR&A Advisors
Analysis reveals Norfolk’s most pressing affordable housing needs.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low Income Rents</strong></td>
<td>Extremely low-income and very low income households are in the greatest need of affordable housing in Norfolk. Although Norfolk possesses a disproportionate share of public housing, the City faces a lack of affordable rental housing at the lowest AMI levels.</td>
</tr>
<tr>
<td><strong>Moderate Income Rents</strong></td>
<td>Moderate-income households also face a housing gap. Although less severe than the gap facing low-income households, a housing gap for moderate-income residents indicates an issue with market rate housing.</td>
</tr>
<tr>
<td><strong>Owner Occupants</strong></td>
<td>Owner occupants within Norfolk do not face a gap in housing affordability. However, Norfolk’s lower homeownership rate relative to peer cities suggests challenges in residents attaining homeownership.</td>
</tr>
</tbody>
</table>
Market Analysis
Housing Needs Analysis
Existing Affordable Housing
Norfolk’s stock of affordable housing is large and diverse.

12,171 units of naturally affordable market rate housing.

5,114 units of NRHA owned public housing or project based voucher units.

2,697 low-income units within LIHTC funded developments.

~20,000 Total affordable units in Norfolk, of a total stock of 98,000 housing units

20% Share of Norfolk housing stack that is affordable

Note: Naturally affordable units are defined as units affordable to a family of four at 50% of AMI and includes both single family homes and multifamily homes.

Source: CoStar; NRHA, PolicyMap; HR&A Advisors
Norfolk’s naturally affordable housing stock is fairly well distributed throughout the city.

**NATURALLY AFFORDABLE DEVELOPMENTS**

Norfolk has **12,171 units** of naturally affordable housing.

Naturally affordable developments were built, on average, in **1962**.

Naturally affordable developments have a vacancy rate of **4.4%**.

The median size of naturally affordable developments is **26 units**.

Note: “Naturally Affordable” means a market rate unit whose asking rent is affordable to a household making 50% of AMI assuming a maximum 30% cost burden. In this case, a unit is considered naturally affordable if the monthly asking rent is less than $737.

Source: CoStar; HR&A Advisors
Naturally affordable housing is affordable to households earning at least 50% of the area median income.

**RENTAL HOUSEHOLDS AND RENTAL UNITS BY AMI LEVEL**

Norfolk 2014

Sources: American Community Survey PUMS Data, HR&A Advisors
Norfolk has a disproportionate share of public housing units relative to other cities in the region.

Public housing represents almost 4% of all housing units in Norfolk.

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
Housing Choice Vouchers are more evenly allocated throughout the region, though Norfolk still possesses a disproportionate share.

### SHARE OF HOUSING CHOICE VOUCHERS AND POPULATION

Hampton Roads Region
2016

There are **2,921** housing choice vouchers in Norfolk, which make up 23% of the 12,793 vouchers in the region.

Note: Analysis is based on the jurisdiction in which vouchers are allocated, which may differ from where residents choose to live.

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
There are just over 3,000 family public housing units in Norfolk, housing over 7,000 residents...

<table>
<thead>
<tr>
<th>Community</th>
<th>Acres</th>
<th>Year First Occupied</th>
<th>Total Units</th>
<th>Total Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tidewater Gardens</td>
<td>44</td>
<td>1955</td>
<td>618</td>
<td>1,659</td>
</tr>
<tr>
<td>Diggs Town</td>
<td>30</td>
<td>1952</td>
<td>422</td>
<td>1,212</td>
</tr>
<tr>
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<td>971</td>
</tr>
<tr>
<td>Broad Creek</td>
<td>87</td>
<td>2006</td>
<td>300</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>197</strong></td>
<td></td>
<td><strong>3,016</strong></td>
<td><strong>7,190+</strong></td>
</tr>
</tbody>
</table>

All family public housing units in Norfolk, aside from Broad Creek, are more than 50 years old, which presents challenges related to upkeep and maintenance of units.

Note: Broad Creek is private managed and is part of a larger mixed-income community.
Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
In addition to public housing owned by NRHA, there are more than 1,500 units of assisted housing with project based vouchers.

<table>
<thead>
<tr>
<th>Community</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Creek</td>
<td>239</td>
</tr>
<tr>
<td>Merrimack Landing</td>
<td>492</td>
</tr>
<tr>
<td>Oakmont North</td>
<td>407</td>
</tr>
<tr>
<td>Mission College</td>
<td>260</td>
</tr>
<tr>
<td>Park Terrace</td>
<td>81</td>
</tr>
<tr>
<td>Other Project Based Voucher Units</td>
<td>50</td>
</tr>
<tr>
<td>NRHA Managed Assisted Housing</td>
<td>64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,593</strong></td>
</tr>
</tbody>
</table>

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
Public housing and project based vouchers primarily serve households earning less than 30% of the area median income.

![Graph showing Rental Households and Rental Units by AMI Level in Norfolk 2014](chart)

- Public housing and project based vouchers serve households earning less than 30% of the area median income.
- The graph illustrates the gap between rental households and rental units at different income levels in Norfolk 2014.

**AMI Levels**
- Below 30%: $24,250
- 50%: $35,450
- 60%: $42,400
- 80%: $56,700
- 100%: $70,900
- Above 100%: $70,900+

**Sources:** American Community Survey PUMS Data, HR&A Advisors
NRHA affordable housing units are located almost exclusively in high poverty areas of Norfolk.

POVERTY AND PUBLIC HOUSING

Source: Norfolk Redevelopment and Housing Authority; PolicyMap; HR&A Advisors

Poverty Rate
- Insufficient Data
- 5% or less
- 16% – 10%
- 11% – 15%
- 16% – 25%
- 26% or more

NRHA Family Public Housing
NRHA Assisted Housing
LIHTC projects are a public and private partnership to develop and operate affordable housing.

**LIHTC DEVELOPMENT OVERVIEW**

LIHTC provides incentives for private developers to develop affordable rental housing for low and moderate income households.

- **Max Gross Rent is $1,106** (3 bedroom apartment)
- **Max Income is $42,350** (4 person household)

Two types of LIHTC projects:

- 9% tax credits – Allocated by state housing agencies through a competitive process
- 4% tax credits – Awarded by right to qualifying projects

**LIHTC IN NORFOLK**

- **28** Development projects with LIHTC Units
- **2,697** Total LIHTC Units
- **73** Median units per LIHTC project
- **14 years** Median age of LIHTC projects
LIHTC housing primarily serves households at the 50% and 60% area median income levels.

**RENTAL HOUSEHOLDS AND RENTAL UNITS BY AMI LEVEL**

Norfolk 2014

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>Income Limit</th>
<th>Households</th>
<th>Rental Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30%</td>
<td>$24,250</td>
<td>Gap: 6,570</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>$35,450</td>
<td>Gap: 9,920</td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>$42,400</td>
<td>Gap: 5,640</td>
<td></td>
</tr>
<tr>
<td>80%</td>
<td>$56,700</td>
<td></td>
<td>Gap: 1,345</td>
</tr>
<tr>
<td>100%</td>
<td>$70,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 100%</td>
<td>$70,900+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: American Community Survey PUMS Data, HR&A Advisors
LIHTC developments are less concentrated in high poverty areas.

**POVERTY AND LIHTC HOUSING**

![Map showing poverty rates with LIHTC developments and pipeline](image)

**Poverty Rate**
- Insufficient Data
- 5% or less
- 6% – 10%
- 11% – 15%
- 16% – 25%
- 26% or more

**Source:** Norfolk Redevelopment and Housing Authority; PolicyMap; HR&A Advisors
Assessment of the existing affordable housing in Norfolk suggests a direction for future strategy recommendations.

Public housing in Norfolk is obsolete and located overwhelmingly in high poverty areas. The colocation and obsolescences of public housing developments contributes to the concentration of poverty. Redevelopment can begin to address this while preserving affordable housing.

LIHTC can fill a gap in Norfolk’s market rate housing. LIHTC can help to meet the shortage of housing affordable to households earning less than $42,000. The profile of LIHTC housing is similar in terms of size, construction and location to market rate housing.

Naturally affordable market rate housing units are fairly well distributed geographically throughout Norfolk. However, the number of units is insufficient for Norfolk’s population and the stock of housing is near old.
Next Steps

Assessment of Conditions
- Market Analysis
- Neighborhood Typology
- Housing Needs Assessment
- Affordable Housing Inventory

Evaluation of Housing Tools
- Financing Mechanisms and Strategies
- Housing Financial Gap Analysis
- Existing Housing Programs

Recommended Housing Strategies
- Housing Trust Fund Revenue Options
- Housing Redevelopment
- Neighborhood Revitalization
B. Recommended Housing Strategies
**Housing Strategy** | As the final component of the housing study, HR&A’s recommended housing strategy positions the City to begin the implementation phase.

---

**Affordable Housing Study Process**

1. **Assessment of Conditions**
   - Market Analysis
   - Neighborhood Typology
   - Housing Needs Assessment
   - Affordable Housing Inventory

2. **Evaluation of Housing Tools**
   - Financing Mechanisms and Strategies
   - Housing Financial Gap Analysis
   - Existing Housing Programs

3. **Recommended Housing Strategy**
   - Program Analysis
   - Housing Trust Fund Revenue Options
   - Housing Redevelopment
   - Neighborhood Revitalization

4. **Next Phase**
   - Implementation Of Strategy
     - Program Design
     - Structuring of Funding Sources
     - Program Execution
Housing Strategy | HR&A developed a hierarchy of goals, initiatives, and programs to structure Norfolk’s housing strategy.
**Housing Strategy** | Norfolk has two clear affordable housing goals that guide the recommended affordable housing strategy, each of which will require new local funding to achieve.

**Goal:** Deconcentrate Clusters of Poverty
- Create new housing options for low-income residents in communities of opportunity
- Address obsolete public housing

**Goal:** Strengthen Neighborhoods Throughout the City
- Give existing housing programs strategic focus
- Introduce new programs to increase impact

**Funding**
- Create local funding for housing that leverages private financing and other public subsidy
Goal: Deconcentrate Poverty | Through the development of mixed-income neighborhoods, the City can support the deconcentration of poverty in Norfolk.

Not only does Norfolk suffer from a high poverty level in comparison to neighboring jurisdictions, but wealth is unevenly distributed within Norfolk itself, with some areas suffering from very high rates of concentrated poverty.

Norfolk should approach the deconcentration of poverty through policies focusing on two initiatives.

“A major step to create more fair housing opportunities will be to expand the availability of affordable housing in areas of median or high income in Norfolk, and to consider new family and mixed-income housing outside areas of concentrated poverty.”

Norfolk Plan to Reduce Poverty
Initiative: Redevelop Public Housing | Redevelopment of Norfolk’s public housing is essential to deconcentrating poverty and providing opportunity to public housing residents.

- Norfolk’s public housing stock is composed of physically distressed buildings and obsolete development patterns that call for redevelopment.
- Public housing developments in Norfolk are large and often located in close proximity to one another, creating pockets of concentrated poverty.

Redevelopment should include program’s addressing both physical buildings and resident needs:

1. Master Planned Redevelopment
2. Tenant Mobility
3. Landlord Outreach
Initiative: Require Mixed-Income Rental Housing | Mixed-income housing deconcentrates poverty and provides access to neighborhoods of opportunity for all residents.

- The creation of mixed-income housing expands the availability of quality affordable housing throughout Norfolk.

Two initiatives should be incorporated into Norfolk’s housing policies to promote the creation of mixed-income housing:

1. LIHTC Voucher Program
2. Inclusionary Housing Policy
**Actions to Deconcentrate Poverty** | To deconcentrate poverty, the City must dedicate resources to launch new programs and engage private partners.

<table>
<thead>
<tr>
<th>Goals, Initiatives and Programs</th>
<th>Program Status</th>
<th>Implementation – Initial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: Deconcentrate Poverty</strong></td>
<td>Launch new housing programs focused on deconcentrating poverty.</td>
<td></td>
</tr>
<tr>
<td><strong>Require Mixed-Income Housing</strong></td>
<td>Mixed-income housing deconcentrates poverty and provides access to opportunity for all residents</td>
<td></td>
</tr>
<tr>
<td>Program: LIHTC Voucher Incorporation</td>
<td>Include public housing residents with vouchers in all new LIHTC developments</td>
<td>Modify</td>
</tr>
<tr>
<td>Program: Inclusionary Housing Policy</td>
<td>Require the inclusion of public housing residents in all housing developments on public land or that receive Performance-Based Grants</td>
<td>Create</td>
</tr>
<tr>
<td><strong>Redevelop Public Housing</strong></td>
<td>Redevelopment of Norfolk’s public housing is essential to deconcentrating poverty and providing opportunity to public housing residents</td>
<td></td>
</tr>
<tr>
<td>Program: Master Planned Redevelopment</td>
<td>Undertake master planned redevelopments of obsolete public housing developments</td>
<td>Create</td>
</tr>
<tr>
<td>Program: Tenant Mobility</td>
<td>Assist public housing residents using vouchers to move to communities of opportunity</td>
<td>Modify</td>
</tr>
<tr>
<td>Program: Landlord Engagement</td>
<td>Identify and persuade landlords with properties in communities of opportunity to accept housing vouchers</td>
<td>Create</td>
</tr>
</tbody>
</table>
Goal: Strengthen Neighborhoods | Focus housing investments in tipping point and fragile neighborhoods to rebuild neighborhood housing markets.

- Norfolk has numerous fragile or tipping point neighborhoods with low homeownership rates, depressed property values and high numbers of vacant or blighted properties.
- Tipping point and fragile neighborhoods are often unable to support the development of quality housing needed by Norfolk’s residents.

Norfolk should strengthen these neighborhood housing markets through the following initiatives:
Initiative: Increase Homeownership | Increase homeownership to strengthen neighborhoods and support residents’ ability to build wealth.

• Norfolk’s homeownership rate is comparatively low relative to the Hampton Roads region, particularly in tipping point and fragile neighborhoods.

• Increased homeownership rates are associated with healthier neighborhoods.

• Homeownership helps to build the wealth of residents.

To increase the homeownership rate, the City should implement or modify four distinct but complementary programs:

1. Sale of Gem Lots for Affordable Housing
2. Development Subsidy
3. Owner Occupied Rehab
4. Down Payment Assistance
**Initiative: Small Rental Revitalization |** Improve the quality and preserve the affordability of small rental properties.

- The majority of Norfolk’s rental housing is in buildings of ten units or less.
- More than half of Norfolk’s rental housing predates the 1960s.
- Norfolk faces a shortage of affordable rental housing.

To improve and preserve this important stock of naturally affordable rental properties, the City should implement the following programs:

1. Rental Rehabilitation Fund
2. Code Enforcement
3. Rental Inspection
Initiative: New Rental Housing | Develop quality affordable rental housing to meet existing needs and attract new residents.

- Rents are not high enough in most tipping point neighborhoods to support the development of new rental housing.
- LIHTC financing can provide subsidy to develop new affordable rental units that target residents with incomes equal to or higher than the median of existing residents.

To create new quality housing across all neighborhoods, the City of Norfolk should support the development of LIHTC projects, specifically 4% LIHTC projects.

1 4% LIHTC Projects
### Actions to Strengthen Neighborhoods

By modifying existing housing programs and launching new ones, the City can strengthen target neighborhoods.

<table>
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<th>Goals, Initiatives, and Programs</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: Strengthen Neighborhoods</strong></td>
<td>Concentrate housing investment in tipping point and fragile neighborhoods</td>
<td></td>
</tr>
<tr>
<td><strong>Increase Homeownership</strong></td>
<td>Increase homeownership to strengthen neighborhoods and support residents’ ability to build wealth</td>
<td></td>
</tr>
<tr>
<td>Program: Sale of Gem Lots</td>
<td>Modify</td>
<td>Issue RFP to develop lots in the strongest tipping point neighborhoods with GEM lots</td>
</tr>
<tr>
<td>Program: Development Subsidies</td>
<td>Create</td>
<td>Establish underwriting criteria and add capacity</td>
</tr>
<tr>
<td>Program: Renovate Norfolk</td>
<td>Modify</td>
<td>Revise program requirements to prioritize exterior improvements</td>
</tr>
<tr>
<td>Program: Down Payment Assistance</td>
<td>Modify</td>
<td>Revise program requirements to prioritize tipping point neighborhoods</td>
</tr>
</tbody>
</table>

**Small Rental Revitalization Initiative** | Improve the quality and preserve the affordability of small rental properties |
| Program: Rental Rehabilitation | Create | Dedicate funding to launch a Rental Rehabilitation Fund and add underwriting capacity |
| Program: Rent Ready Norfolk | Modify | Expand program to additional tipping point and fragile neighborhoods |
| Program: Derelict Structure Code | Modify | Coordinate geographic focus with other housing programs |

**New Rental Housing Initiative** | Develop quality affordable rental housing to meet existing needs and attract new residents |
| Program: Rental Housing Development | Create | Revise the City's policies for Performance-Based Grants, public land disposition and housing funding. |
Funding Sources | Norfolk should create local housing funding to leverage private financing as well as state and federal funding.

### Sources of Funding

<table>
<thead>
<tr>
<th>LOCAL</th>
<th>STATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Public Land</td>
<td>• Low Income Housing Tax Credit (LIHTC)</td>
</tr>
<tr>
<td>• Assessment Districts</td>
<td>• Virginia Housing Development Authority Grants and Loans</td>
</tr>
<tr>
<td>• Performance-Based Grants</td>
<td></td>
</tr>
<tr>
<td>• Affordable Housing Trust Fund</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRIVATE</th>
<th>FEDERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Loans</td>
<td>• HOME Program</td>
</tr>
<tr>
<td>• Equity Investments</td>
<td>• Community Development Block Grants (CDBG)</td>
</tr>
<tr>
<td>• Philanthropic Grants</td>
<td></td>
</tr>
</tbody>
</table>
Federal Funding | Norfolk should focus CDBG and HOME funding on strengthening neighborhoods and deconcentrating poverty.

### FEDERAL PROGRAM FUNDING
Norfolk, 2016

<table>
<thead>
<tr>
<th>Funding</th>
<th>Program</th>
<th>Annual Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG</td>
<td>Public Services</td>
<td>$580,000</td>
</tr>
<tr>
<td></td>
<td>Public Facilities</td>
<td>$670,000</td>
</tr>
<tr>
<td></td>
<td>Public Improvements</td>
<td>$200,000</td>
</tr>
<tr>
<td></td>
<td>Housing Rehab and Loan Program</td>
<td>$2,150,000</td>
</tr>
<tr>
<td></td>
<td>Revolving Loan Fund</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>$270,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total CDBG Funding</strong></td>
<td><strong>$4,120,000</strong></td>
</tr>
<tr>
<td>HOME</td>
<td>Direct Homeownership Assistance</td>
<td>$490,000</td>
</tr>
<tr>
<td></td>
<td>Construction of Housing (CHDO)</td>
<td>$130,000</td>
</tr>
<tr>
<td></td>
<td>Rental Subsidies</td>
<td>$170,000</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>$90,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total HOME Funding</strong></td>
<td><strong>$880,000</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Federal Funding</strong></td>
<td><strong>$5,000,000</strong></td>
</tr>
</tbody>
</table>

*Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors*
State Funding | Norfolk should maximize state funding to support affordable housing.

**TYPE OF LIHTC DEVELOPMENT**

**9% Tax Credit**
- Debt/Subsidy
- 9% Tax Credit Equity
- 70-80% of development cost

**9% Target:**
- Public housing redevelopment

**4% Tax Credit**
- Debt/Subsidy/Tax Exempt Bond Financing
- 4% Tax Credit Equity
- 30-40% of development cost

**4% Target:**
- New mixed-income rental housing
Local Funding | Local funding can leverage state and federal funding for affordable housing to fill financial gaps and move projects forward.

<table>
<thead>
<tr>
<th>Sources of Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assessment Districts</strong></td>
</tr>
<tr>
<td><strong>Public Land</strong></td>
</tr>
<tr>
<td><strong>Performance-Based Grants</strong></td>
</tr>
<tr>
<td><strong>Affordable Housing Trust Fund</strong></td>
</tr>
</tbody>
</table>
## Funding Sources

<table>
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<tr>
<th>Goals, Initiatives and Programs</th>
<th>Program Status</th>
<th>Implementation – Initial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Funding</strong></td>
<td></td>
<td>Dedicated public funding for housing to strengthen neighborhoods and deconcentrate poverty</td>
</tr>
<tr>
<td>Focus federal funding on deconcentrating poverty and strengthening neighborhoods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revise CDBG and HOME funding to focus on strengthening neighborhoods and deconcentrating poverty</td>
<td>Modify</td>
<td>Budget federal funding to align with the needs of targeted neighborhoods and public housing projects</td>
</tr>
<tr>
<td><strong>State Funding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximize state funding to support affordable housing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 9% tax credit awards to subsidize the redevelopment of public housing</td>
<td>Modify</td>
<td>Partner with affordable housing developer(s) to win 9% tax credits</td>
</tr>
<tr>
<td>Leverage 4% tax credits to subsidize the development of new rental housing</td>
<td>Modify</td>
<td>Provide local funding to leverage 4% tax credits</td>
</tr>
<tr>
<td><strong>Local Funding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create new local funding sources to deconcentrate poverty and strengthen neighborhoods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish assessment districts to support the strengthening of target neighborhoods and redevelopment of public housing sites</td>
<td>New</td>
<td>Identify priority neighborhoods and public housing sites</td>
</tr>
<tr>
<td>Contribute public land at a discount to create affordable housing</td>
<td>New</td>
<td>Establish a policy of discounting public land used for affordable housing</td>
</tr>
<tr>
<td>Make affordable housing developments an eligible recipient of Performance-Based Grants</td>
<td>New</td>
<td>Modify Performance-Based Grant regulations to allow affordable housing</td>
</tr>
<tr>
<td>Establish an affordable housing trust fund supported by multiple revenue sources</td>
<td>New</td>
<td>Dedicate revenue sources to establish an affordable housing trust fund</td>
</tr>
</tbody>
</table>
Executive Summary

Deconcentrate Poverty
  Redevelop Public Housing
  Require Mixed-Income Rental Housing

Strengthen Neighborhoods

Sources of Funding
Goal: Deconcentrate Poverty | Through the development of mixed-income neighborhoods, the City can support the deconcentration of poverty in Norfolk.

Not only does Norfolk suffer from a high poverty level in comparison to neighboring jurisdictions, but wealth is unevenly distributed within Norfolk itself, with some areas suffering from very high rates of concentrated poverty.

Norfolk should approach the deconcentration of poverty through policies focusing on two initiatives:

- **Initiative: Redevelop Public Housing**
- **Initiative: Require Mixed-Income Rental Housing**

“A major step to create more fair housing opportunities will be to expand the availability of affordable housing in areas of median or high income in Norfolk, and to consider new family and mixed-income housing outside areas of concentrated poverty.”

Norfolk Plan to Reduce Poverty
Goal: Deconcentrate Poverty | The poverty rate in Norfolk is higher than neighboring jurisdictions and the region as a whole.

Source: ESRI; HR&A Advisors
Goal: Deconcentrate Poverty | Large-scale public housing development concentrates poverty by nature and must be addressed.
## Redevelop Public Housing

All family public housing developments in Norfolk were developed nearly 60 years old.

<table>
<thead>
<tr>
<th>Community</th>
<th>Acres</th>
<th>Year First Occupied</th>
<th>Total Units</th>
<th>Total Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tidewater Gardens</td>
<td>44</td>
<td>1955</td>
<td>618</td>
<td>1,659</td>
</tr>
<tr>
<td>Diggs Town</td>
<td>30</td>
<td>1952</td>
<td>422</td>
<td>1,212</td>
</tr>
<tr>
<td>Young Terrace</td>
<td>36</td>
<td>1953</td>
<td>746</td>
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<td>Calvert Square</td>
<td>19</td>
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<td>24</td>
<td>1942</td>
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<td>44</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>197</strong></td>
<td></td>
<td><strong>3,016</strong></td>
<td><strong>7,190+</strong></td>
</tr>
</tbody>
</table>

Note: Broad Creek is private managed and is part of a larger mixed-income community.

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
Executive Summary

Deconcentrate Poverty

Redevelop Public Housing

Require Mixed-Income Rental Housing

Strengthen Neighborhoods

Sources of Funding
Redevelop Public Housing | Redevelopment of Norfolk’s public housing is essential to deconcentrating poverty and providing opportunity to public housing residents.

- Norfolk’s public housing stock is composed of physically distressed building and obsolete development patterns that are ready for redevelopment.
- Public housing developments in Norfolk are large and often located in close proximity to other public housing creating pockets of concentrated poverty.

Redevelopment should include programs addressing both physical buildings and resident needs:

1. Master Planned Redevelopment
2. Tenant Mobility
3. Landlord Outreach
**Master Planned Redevelopment** | Redevelop obsolete public housing sites into mixed-income communities through public-private partnerships.

Master planned redevelopment is the redevelopment of public housing sites into mixed-income communities that include public housing and market rate residents. The City and NRHA should collaborate to prioritize specific public housing sites for redevelopment and establish an implementable plan and timeline for redevelopment. One or more private developers should be procured through a competitive process.

**FUNDING SOURCE**

Federal, state and local public funds & private financing

**TARGET POPULATION**

Public housing residents and market-rate residents

**RECOMMENDATIONS**

- Request regulatory approval from HUD to begin redevelopment of selected public housing sites
- Establish an implementable redevelopment plan
- Prioritize public housing sites for redevelopment
- Identify private redevelopment partners through a competitive process
## Master Planned Redevelopment | Most cities are redeveloping their remaining public housing through large-scale, public-private partnerships.

<table>
<thead>
<tr>
<th>Name</th>
<th>Boston</th>
<th>Chicago</th>
<th>New Orleans</th>
<th>San Francisco</th>
<th>Seattle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quincy Corridor</td>
<td>Woodlawn</td>
<td>Iberville/Treme</td>
<td>Eastern Bayview/Alice Griffith</td>
<td>Yesler</td>
</tr>
<tr>
<td>Original Scale</td>
<td>129 units</td>
<td>504 units</td>
<td>821 units</td>
<td>256 units</td>
<td>561 units</td>
</tr>
<tr>
<td>Scale of New Development</td>
<td>• 129 affordable units</td>
<td>• 504 affordable units</td>
<td>• 1,694 affordable units</td>
<td>• 504 affordable units</td>
<td>• 1,801 affordable units</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,199 market rate units</td>
</tr>
<tr>
<td>Total Development Cost</td>
<td>$53M (all)</td>
<td>$92M (all)</td>
<td>$589M (all)</td>
<td>$130M (phase 1)</td>
<td>$24M (Phase 1) $1.9B (total)</td>
</tr>
<tr>
<td>Funding Sources</td>
<td>• Choice Neighborhoods</td>
<td>• Choice Neighborhoods</td>
<td>• Choice Neighborhoods</td>
<td>• Choice Neighborhoods</td>
<td>• Choice Neighborhoods</td>
</tr>
<tr>
<td></td>
<td>• State and local grants</td>
<td>• Tax Increment Financing</td>
<td>• FEMA</td>
<td>• Local grants</td>
<td>• CDBG</td>
</tr>
<tr>
<td></td>
<td>• 4% LIHTC</td>
<td>• Local grants</td>
<td>• HOME and CDBG funds</td>
<td>• 9% LIHTC</td>
<td>• Public land</td>
</tr>
<tr>
<td></td>
<td>• Private debt</td>
<td>• HOME fund</td>
<td>• Local grants</td>
<td>• Private debt</td>
<td>• Local grants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deconcentrate Poverty: Redevelop Public Housing
The redevelopment process is lengthy and requires coordination between real estate development and HUD regulatory approvals.

The City and NRHA can launch the redevelopment of a public housing site within a year’s time.
**Master Planned Redevelopment** | The City developed preliminary concepts to envision the redevelopment of Tidewater Gardens in the St. Paul’s submarket.

A 2012 Area Plan and a 2014 Transformation Plan assessed the possibility of redevelopment of St. Paul’s, including the 618-unit Tidewater Gardens public housing project.

**ST. PAUL’S REDEVELOPMENT POTENTIAL**

**2012 AREA PLAN**

<table>
<thead>
<tr>
<th>Residential Units</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rate:</td>
<td>1,250</td>
</tr>
<tr>
<td>Workforce Housing:</td>
<td>250</td>
</tr>
<tr>
<td>Affordable:</td>
<td>618</td>
</tr>
<tr>
<td>Total:</td>
<td>~2,100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office Space (SF):</th>
<th>260,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Space (SF):</td>
<td>378,000</td>
</tr>
</tbody>
</table>

Initial concept plans included the replacement of all 618 public housing units of Tidewater Gardens within the St. Paul’s area.
Master Planned Redevelopment | HR&A conducted a high-level financial assessment for the hypothetical redevelopment of public housing in Norfolk.

**REDEVELOPMENT FEASIBILITY**

<table>
<thead>
<tr>
<th>PUBLIC HOUSING REDEVELOPMENT</th>
<th>Development Cost and Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High-End Estimate</td>
</tr>
<tr>
<td>Total Development Cost</td>
<td>$245 million</td>
</tr>
<tr>
<td>Value of Development</td>
<td>$214 million</td>
</tr>
<tr>
<td>Initial Feasibility Surplus/(Gap)</td>
<td>($31 million)</td>
</tr>
<tr>
<td>LIHTC Funding</td>
<td>+ $23 million</td>
</tr>
<tr>
<td>Final Feasibility Surplus/(Gap)</td>
<td>($8 million)</td>
</tr>
</tbody>
</table>

HR&A’s analysis assumes affordable units are developed as 4% LIHTC units with project based vouchers. Additionally, analysis assumes land for development is contributed to the project at no cost.

Note: Includes only residential development and excludes office and retail development as well as infrastructure costs. Analysis in 2016 Dollars.
**Redevelopment Site Clearing** | Public housing residents would have a range of options of where to relocate during the construction process and whether to return afterward.

### PUBLIC HOUSING TENANT RELOCATION EXAMPLE*

<table>
<thead>
<tr>
<th>Number of Households</th>
<th>Relocation Options</th>
<th>Household Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>600 Public Housing Households</td>
<td>Housing Vouchers (~33%)</td>
<td>~198 Households</td>
</tr>
<tr>
<td></td>
<td>Other Public Housing (~9%)</td>
<td>~54 Households</td>
</tr>
<tr>
<td></td>
<td>Remain on Site (~33%)</td>
<td>~198 Households</td>
</tr>
<tr>
<td></td>
<td>Natural Turnover (~25%)</td>
<td>~150 Households</td>
</tr>
</tbody>
</table>

*Assumes relocation over a two year period, based on NRHA’s experience with previous relocations and national examples. Approximately 198 households would remain on site during redevelopment while an additional approximately 198 housing voucher users would return upon project completion.
**Tenant Mobility Program** | Assist public housing residents to move out of public housing developments and into neighborhoods of opportunity throughout the region.

The tenant mobility program should support public housing residents who receive vouchers to find housing options in neighborhoods of opportunity throughout the region. The program should streamline the paperwork to move outside of Norfolk, as well as offer financial education and relocation assistance. The City and NRHA should prioritize residents living in public housing targeted for redevelopment.

**FUNDING SOURCE**

NRHA and local funding will be required at ~$2-3K per household in counseling and financial assistance

**TARGET POPULATION**

Public housing residents receiving housing vouchers, particularly those living in properties targeted for redevelopment

**RECOMMENDATIONS**

- Partner with a private firm to develop and implement a regional tenant mobility program
- Target vouchers to opportunity neighborhoods
- Provide financial education and relocation counseling
- Provide financial assistance (security deposit, rent guarantee, support paying off minor debts, relocation assistance, etc.)
CASE STUDY: BALTIMORE HOUSING MOBILITY PROGRAM

Under contract with the Housing Authority, the Metropolitan Baltimore Quadel administers Baltimore’s Housing Mobility Program, developed to counter years of segregation and disinvestment in inner city neighborhoods. By providing counseling and financial assistance to families receiving tenant-based vouchers, the program help families move to opportunity neighborhoods (low-poverty, strong schools).

KEY PROGRAM FACTS

- Regional voucher administration
- Geographic targeting to communities of opportunity
- Housing search assistance, financial assistance and counseling support
- Outreach to single-family and multifamily rental property owners
- Placement monitoring to avoid “clustering”

LESSONS FOR NORFOLK

- Regional voucher administration reduces barriers to moving outside of Norfolk
- Focus on neighborhoods of opportunities avoid re-concentrating poverty
- Households require significant counseling and support to be successful
- Landlord outreach can expand the number of properties accepting vouchers
Landlord Outreach Program | Expand the number of landlords and neighborhoods of opportunity accepting vouchers to increase housing options for public housing residents.

<table>
<thead>
<tr>
<th>FUNDING SOURCE</th>
<th>~$150,000 to support staff time and outreach</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARGET POPULATION</td>
<td>Owners of single-family and multifamily rental units in neighborhoods of opportunity</td>
</tr>
<tr>
<td>RECOMMENDATIONS</td>
<td>• Actively target single-family and multifamily landlords in neighborhoods of opportunity throughout the region • Assist landlords with process for qualifying to accept vouchers • Evaluate providing a rent guarantee for the first year a voucher holder rents the property</td>
</tr>
</tbody>
</table>

NRHA should dedicate staff and resources to engage landlords across the region in an effort to increase housing options for voucher holders. Through outreach, marketing and financial incentives the network of reputable single-family and multifamily properties that accept vouchers can be expanded throughout the region.
Executive Summary

**Deconcentrate Poverty**
- Redevelop Public Housing
- Require Mixed-Income Rental Housing

Strengthen Neighborhoods

Sources of Funding
Deconcentrate Poverty: Mixed-Income Rental

Require Mixed-Income Rental Housing | Mixed-income housing deconcentrates poverty and provides access to neighborhoods of opportunity for all residents.

- The creation of mixed-income housing expands the availability of quality affordable housing throughout Norfolk.

Two initiatives should be incorporated into Norfolk’s housing policies to promote the creation of mixed-income housing:

1. LIHTC Voucher Program
2. Inclusionary Housing Policy
LIHTC Voucher Program | Require all new LIHTC developments to set aside 20% of units for public housing residents.

Norfolk and NRHA should establish a policy of requiring LIHTC projects that receive local support to allocate 20% of their units for public housing residents with housing vouchers. Given that NRHA already provides project based vouchers for many LIHTC developments, developing a process of giving tenant-based vouchers a set-aside for voucher holders for all developments should not require significant changes.

FUNDING SOURCE | Housing vouchers provided NRHA

TARGET POPULATION | Public housing residents living in building targeted for redevelopment

RECOMMENDATIONS
- Increase the number of public housing residents to at least 20% in new LIHTC developments
- Allow for a combination of project and tenant-based vouchers
- Prioritize residents living in public housing that is undergoing redevelopment
Most new 9% LIHTC projects in Norfolk include some voucher units. This is due to the fact that under Virginia’s Qualified Allocation Plan, projects with voucher units receive additional points in the competitive process. As an example, the planned St. Paul’s Apartments will include 13 project based vouchers in the project’s 126 units, equating to approximately 10% of units in the development.
Inclusionary Housing | Establish an inclusionary housing policy for any project built on public land or receiving Performance-Based Grants.*

Norfolk should establish an inclusionary housing policy that applies to residential development on public land or that otherwise receive city support. The policy should require qualifying projects to provide 10% of units at 60% AMI and an additional 10% of units prioritized for tenant-based vouchers.

FUNDING SOURCE
Developers should be incentivized through reduced sales price of publicly-owned land or Performance-Based Grants

TARGET POPULATION
• Renters with household incomes of up to $42,540 (60% AMI)
• Public housing residents with vouchers

RECOMMENDATIONS
• Require any project on public land to meet inclusionary requirements
• Require any project receiving Performance-Based Grants meet inclusionary requirements

*Residential properties are not currently eligible for Performance-Based Grants.
Inclusionary Housing | HR&A analyzed the financial feasibility of inclusionary housing in Norfolk by modeling residual land value of prototype developments.

For prototype developments in Norfolk, the analysis addresses:

- The residual value of land under standard market rate conditions
- Impact on land value of adopting an inclusionary policy

**HYPOTHETICAL MARKET RATE MULTIFAMILY DEVELOPMENT**

```
<table>
<thead>
<tr>
<th>MARKET RATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual land value for development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INCLUSIONARY POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value lost through affordability requirements</td>
</tr>
<tr>
<td>Residual land value for development</td>
</tr>
</tbody>
</table>
```
### Inclusionary Housing

Market conditions and prototypical development vary across Norfolk, particularly in Downtown relative to the remainder of the City.

#### MARKET CONDITIONS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Downtown</th>
<th>Remainder of Norfolk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rate Rent /SF/Month</td>
<td>$2.00</td>
<td>$1.60</td>
</tr>
<tr>
<td>Construction Cost (/GSF)</td>
<td>$168</td>
<td>$138</td>
</tr>
<tr>
<td>Cap Rate</td>
<td>6.0%</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

Note: Construction costs include hard cost plus 20% soft costs

#### PROTOTYPE DEVELOPMENT

<table>
<thead>
<tr>
<th>Metric</th>
<th>Downtown</th>
<th>Remainder of Norfolk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Type</td>
<td>Mid-rise</td>
<td>Low-rise</td>
</tr>
<tr>
<td>Number of Units</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Average Unit Size (SF)</td>
<td>700</td>
<td>850</td>
</tr>
<tr>
<td>Building Efficiency</td>
<td>85%</td>
<td>85%</td>
</tr>
</tbody>
</table>

HR&A Advisors, Inc.
Inclusionary Housing | HR&A analyzed three levels of affordability for new development.

**SCENARIO 1:**
- 100% of units priced at market rate

**SCENARIO 2:**
- 10% of units at 60% AMI

**SCENARIO 3:**
- 10% of units at 60% AMI
- 10% of units as tenant-based vouchers

MARKET RATE | INCREASING AFFORDABILITY
Inclusionary Housing  | Under the inclusionary requirements modeled, the residual value of Downtown development remains positive.

HR&A’s analysis suggests that the submarket could support an inclusionary policy so long as developers are provided an incentive to make up for lost value.

**DOWNTOWN MULTIFAMILY DEVELOPMENT, RESIDUAL LAND VALUE**

150 units, mid-rise new construction

<table>
<thead>
<tr>
<th></th>
<th>Market Rate</th>
<th>10% at 60% AMI</th>
<th>10% at 60% AMI (10% Vouchers)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residual Value</strong></td>
<td>$3.03 million ($24 /GSF)</td>
<td>$1.47 million ($11 /GSF)</td>
<td>$0.51 million ($4 /GSF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1.56 million ($13 /GSF)</td>
<td>$2.52 million ($20 /GSF)</td>
</tr>
</tbody>
</table>
Inclusionary Housing | In the remainder of Norfolk, residual land values for development are also positive, despite a lower initial land value than Downtown.

<table>
<thead>
<tr>
<th>REMAINDER OF NORFOLK MULTIFAMILY DEVELOPMENT, RESIDUAL LAND VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>150 units, low-rise new construction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>MARKET RATE</th>
<th>10% AT 60% AMI</th>
<th>10% AT 60% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.67 million</td>
<td>$0.86 million</td>
<td>$0.81 million</td>
</tr>
<tr>
<td></td>
<td>($13 /GSF)</td>
<td>($7 /GSF)</td>
<td>($6 /GSF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1.14 million</td>
<td>$0.53 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($9 /GSF)</td>
<td>($4 /GSF)</td>
</tr>
</tbody>
</table>
## Actions to Deconcentrate Poverty

To deconcentrate poverty, the City must dedicate resources to launch new programs and engage private partners.

<table>
<thead>
<tr>
<th>Goals, Initiatives and Programs</th>
<th>Program Status</th>
<th>Implementation – Initial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: Deconcentrate Poverty</strong></td>
<td></td>
<td>Launch new housing programs focused on deconcentrating poverty.</td>
</tr>
</tbody>
</table>

### Require Mixed-Income Housing

**Program: LIHTC Voucher Incorporation**
Include public housing residents with vouchers in all new LIHTC developments

- **Status:** Modify
- **Action:** Establish City and NRHA policy on public housing residents in LIHTC properties

**Program: Inclusionary Housing Policy**
Require the inclusion of public housing residents in all housing developments on public land or that receive Performance-Based Grants

- **Status:** Create
- **Action:** Establish an official City policy for public land disposition and Performance-Based Grant awards

### Redevelop Public Housing

**Program: Master Planned Redevelopment**
Undertake master planned redevelopments of obsolete public housing developments

- **Status:** Create
- **Action:** Identify priority public housing site(s) and initiate the redevelopment process with HUD

**Program: Tenant Mobility**
Assist public housing residents using vouchers to move to communities of opportunity

- **Status:** Modify
- **Action:** Select private partner to operate tenant mobility program through a competitive process

**Program: Landlord Engagement**
Identify and persuade landlords with properties in communities of opportunity to accept housing vouchers

- **Status:** Create
- **Action:** Establish standards for an area to be considered a neighborhood of opportunity
Executive Summary
Deconcentrate Poverty

**Strengthen Neighborhoods**

- Increase Homeownership
- Promote Small Rental Revitalization
- Create New Rental Housing

Sources of Funding
Norfolk has numerous fragile or tipping point neighborhoods with low homeownership rates, depressed property values and high numbers of vacant or blighted properties.

- Tipping point and fragile neighborhoods are often unable to support the development of quality housing needed by Norfolk’s residents.

Norfolk should strengthen these neighborhood housing markets through the following initiatives:
Strengthen Neighborhoods | Norfolk’s homeownership rate lags behind other cities in the region.

**HOMEOWNERSHIP RATE BY CITY**

<table>
<thead>
<tr>
<th>City</th>
<th>2016 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norfolk</td>
<td>44%</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>63%</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>72%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>57%</td>
</tr>
</tbody>
</table>

Note: 2016 data is based on ESRI data projections
Sources: ESRI; HR&A Advisors
Strengthen Neighborhoods | The strength of the housing market across neighborhoods in Norfolk varies greatly.

**MEDIAN RENT**  
2016

Norfolk: $796

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Median Rent 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown</td>
<td>$1,315</td>
</tr>
<tr>
<td>Campostella Heights</td>
<td>$943</td>
</tr>
<tr>
<td>Norview</td>
<td>$753</td>
</tr>
<tr>
<td>Park Place</td>
<td>$676</td>
</tr>
<tr>
<td>Ocean View</td>
<td>$650</td>
</tr>
<tr>
<td>St. Paul's Quadrant</td>
<td>$220</td>
</tr>
</tbody>
</table>

Sources: ESRI; HR&A Advisors
Strengthen Neighborhoods | Norfolk’s tipping point neighborhoods require concentrated public investment to establish healthy housing markets.

**PARK PLACE**
- Population change 2000 - 2016: 2%
- Housing Vacancy: 12%
- Median Household Income: $28,000
- Median Rent: $680
- Median Home Value: $179,000
- Homeownership Rate: 36%
- Poverty Rate: 19%

**NORFOLK**
- Population change 2000 - 2016: 5%
- Housing Vacancy: 10%
- Median Household Income: $44,000
- Median Rent: $800
- Median Home Value: $209,000
- Homeownership Rate: 44%
- Poverty Rate: 19%

**Typology: Tipping point submarket**

Sources: ESRI; HR&A Advisors
**Goal: Strengthen Neighborhoods** | Targeted investment in tipping point and fragile neighborhoods can build up housing submarkets.

- Housing programs create positive spillover impacts that improve neighborhood quality.
- Concentrating public investment in housing can attract civic engagement and private investment that builds neighborhood strength to meet resident housing needs.
- Numerous cities have successfully focused housing programs to rebuild tipping point neighborhoods.

**IMPACT OF TARGETED INVESTMENT IN NEW ORLEANS**

![Map of Hoffman Triangle Neighborhood](image1)

![Map of Gentilly Neighborhood](image2)

**HR&A Advisors, Inc.**
Executive Summary
Deconcentrate Poverty

**Strengthen Neighborhoods**
  - Increase Homeownership
  - Promote Small Rental Revitalization
  - Create New Rental Housing

Sources of Funding
Increase Homeownership | Increase homeownership to strengthen neighborhoods and support residents’ ability to build wealth.

- Norfolk’s homeownership rate is comparatively low relative to the Hampton Roads region, particularly in tipping point and fragile neighborhoods.
- Increased homeownership rates are associated with healthier neighborhoods.
- Homeownership helps to build the wealth of residents.

To increase the homeownership rate, the City should implement or modify four distinct but complementary programs:

1. Sale of Gem Lots for Affordable Housing
2. Development Subsidy
3. Owner Occupied Rehab
4. Down Payment Assistance
**GEM Lot Program** | Dispose of GEM lots to private developers to build high-quality, for-sale homes.

The City should sell GEM lots to private developers to develop them as for-sale housing. Private developers should be selected through a request for proposals (RFP) process. To facilitate the sale and redevelopment of GEM lots, the City should discount the price of the lots based on demand.

### FUNDING SOURCE

The value of the GEM lot may be discounted at sale; down payment assistance or development subsidy may also be provided.

### TARGET POPULATION

Homebuyers with financial capacity to purchase market-rate homes; there should be no set affordability requirements.

### RECOMMENDATIONS

- Use RFP process to dispose of lots to vetted developers
- Give preference to Community Development Corporations
- Leverage civic groups in marketing of property
- Align down payment assistance and dev. subsidy programs
- Establish building standards based on the Norfolk Pattern Book
**GEM Lot Program** | Potentially developable GEM lots are clustered in four neighborhoods throughout the city, and focus in an initial RFP should be on lots in stronger neighborhoods.

**GEM LOT Characteristics**

**Total:** ~200 developable lots

**Average Size:** 3,316 sq. ft.

**Geographic Location:** Developable lots are clustered in the following neighborhoods:
- Park Place
- Huntersville
- Campostella
- Lindenwood
For-Sale Subsidy Program | Provide forgivable loans to subsidize the development of for-sale housing on GEM lots.

When the cost to develop a home on a GEM lot exceeds the attainable sale price, the for-sale subsidy will cover the difference and allow the home to be built. For-sale subsidy is provided in the form of a loan that is forgiven when a developer meets the requirements to develop a high-quality for-sale home.

FUNDING SOURCE | Federal HOME funds or local funds such as an affordable housing trust fund.

TARGET POPULATION | GEM lots that are not developable without subsidy

RECOMMENDATIONS
- Make subsidy available through an RFP for the disposition of GEM lots
- Provide higher levels of subsidy in weaker neighborhoods
- Use the competitive RFP process to minimize the level of subsidy provided
- Add affordability requirements
**For-Sale Subsidy Program** | HR&A conducted an analysis of the feasibility of new single family construction in the Park Place neighborhood to determine the necessary subsidy.

Park Place is a tipping point neighborhood and the strongest neighborhood with a concentration of GEM lots.

- **Current Cost to Build Home in Park Place:**
  - $201k to $257k

- **Achievable Sales Price in Park Place:**
  - $187k to $249k

  **Development Feasibility Gap**
  - $0k - $14k

- **Sale Price:**
  - $187,000
  - $249,000
  - $240,000
For-Sale Subsidy Program Best Practice  |  New Orleans Construction Lending Program

CASE STUDY: NEW ORLEANS CONSTRUCTION LENDING PROGRAM

The New Orleans Redevelopment Authority has acquired hundreds of vacant and delinquent lots through blight eradication legislation. To facilitate the residential development of the properties, the City is offering a combination of financing and discounted land sales to vetted developers. Properties are offered only in targeted neighborhoods through a competitive RFP process.

KEY PROGRAM FACTS

• Developers compete for properties, reducing the level of subsidy
• Up to $30,000 subsidy per home
• Limit of 5 properties per developer
• Enforcement of Green Building Standards
• Eligible homeowners at or below 120% AMI
• Limited to properties in tipping point neighborhoods

LESSONS FOR NORFOLK

• Geographic focus on potentially competitive neighborhoods
• Leverage private market development expertise and competition
• Combine financing and discounted land sales to create for-sale homes
• Achieve control over development quality through RFP and building standards
Renovate Norfolk Program | Refocus owner-occupied rehabs on exterior improvement in select fragile and tipping point neighborhoods.

Renovate Norfolk is a grant program to assist low-income homeowners to conduct home repairs, rehabilitations, and restorations. Amounts awarded range between $10,000 and $25,000 and cover a wide range of improvements.

FUNDING SOURCE
$2.2 million of Federal Community Development Block Grant funds administered through the Norfolk Department of Neighborhood Development (2016)

TARGET POPULATION
Homeowners with incomes up to $56,400 (80% AMI)

RECOMMENDATIONS
• Increase external renovations that improve property appearance
• Concentrate investments on a limited number of fragile and tipping point neighborhoods to boost property value
• Raise the maximum grant to $35,000
• Connect with NDRC green stormwater infrastructure program
• Provide funds as a loan as opposed to grant
**Down Payment Assistance Program** | Target down payment assistance to tipping point neighborhoods to increase homeownership.

---

This program assists eligible first time homebuyers with down payment and closing cost assistance through a zero interest loan with no monthly payments, worth up to $40,000.

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**FUNDING SOURCE**

$1.6 million in federal HOME Program funding administered through the NRHA

**TARGET POPULATION**

98 people were served in FY 2016; the maximum was $56,700 (80% AMI)

---

**RECOMMENDATIONS**

- Target assistance to tipping point neighborhoods
- Evaluate reserving down payment assistance for GEM lots
Executive Summary
Deconcentrate Poverty

**Strengthen Neighborhoods**
- Increase Homeownership
  - **Promote Small Rental Revitalization**
- Create New Rental Housing

Sources of Funding
The majority of Norfolk’s rental housing is in buildings of ten units or less.

More than half of Norfolk’s rental housing predates the 1960s.

Norfolk faces a shortage of affordable rental housing.

To improve and preserve this important stock of naturally affordable rental properties, the City should implement the following programs:

1. Rental Rehabilitation Fund
2. Code Enforcement
3. Rental Inspection
**Rental Rehabilitation Program** | Provide loans to repair rental properties and preserve affordability in targeted neighborhoods.

The rental rehabilitation program provides loans of up to $50,000 to repair small rental properties. The property owner is required to provide a matching investment, participate in Rent Ready Norfolk and accept public housing vouchers.

<table>
<thead>
<tr>
<th>FUNDING SOURCE</th>
<th>$500,000 in federal Community Development Block Grant (CDBG) funding &amp; equal or greater amount of private capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARGET POPULATION</td>
<td>Small rental properties (&lt;8 units) that are in disrepair located in select fragile or tipping point neighborhoods</td>
</tr>
</tbody>
</table>
| RECOMMENDATIONS | • Partner with private lenders to leverage funding and underwriting capacity  
• Incorporate PACE and green stormwater infrastructure programs  
• Require the acceptance of public housing vouchers |
CASE STUDY: MILWAUKEE’S RENTAL REHABILITATION LOAN PROGRAM

Milwaukee offers forgivable loans of up to $15,000 per unit for landlords who agree to rent to income-eligible tenants. Loans may be used for a number of different improvements, the first priority being exterior repairs such as siding and porch repairs. Applicants must have a Landlord Training certificate and the property must meet code inspections for five years after the rehab.

KEY PROGRAM FACTS

- Landlords must provide matching funds for each Rental Rehab dollar received
- The program is administered by the Neighborhood Improvement Development Corporation (NIDC)
- Funding is provided through the CDBG program
- Units must have at least 2 bedrooms to qualify

LESSONS FOR NORFOLK

- Prioritize exterior improvements
- Pair program with a landlord training program and encourage participation
- Heavy involvement in the rehab process, through inspections, contractor selections and follow-up check-ins
Rent Ready Norfolk Program | Coordinate Rent Ready Norfolk with rental rehabilitation and code enforcement programs.

This program holds rental academy classes for landlords, renters, and property owners. In addition, Rent Ready Norfolk catalogues rental properties that are “rent ready,” thus encouraging property owners to maintain their rental properties.

**FUNDING SOURCE**
Operating on a pilot grant of $100,000 from Norfolk’s general fund (2016)

**TARGET POPULATION**
Landlords, property managers and renters

**RECOMMENDATIONS**
- Target Rent Ready to select tipping point and fragile neighborhoods
- Administer Rent Ready in coordination with rental rehabilitation and code enforcement programs
- Increase enforcement authority for properties
**Derelict Structure Code Program** | Require property owners to repair or demolish buildings in disrepair.

The derelict structure code enforces the rehabilitation or demolition of vacant and blighted properties in Norfolk. The goal is to increase surrounding home values and the overall quality of Norfolk’s neighborhoods.

---

**FUNDING SOURCE**

$1 million of Norfolk’s general funds annually

**TARGET POPULATION**

51 properties were contacted; 18 owners responded with rehabilitation work plans (2016)

**RECOMMENDATIONS**

- Actively target select tipping point and fragile neighborhoods
- Work with local neighborhood groups and civic groups to identify properties
- Coordinate with Rent Ready and the Rental Rehabilitation Program
CASE STUDY: BALTIMORE’S CODE ENFORCEMENT PROGRAM

Baltimore’s From Vacants to Value program addresses blight and nuisance properties through partnerships with private developers. Baltimore aggressively enforces property codes in transitional neighborhoods and works with lawyers from private development firms to improve blighted properties or seize abandoned properties that will then be redeveloped by the private partner.

KEY PROGRAM FACTS

• Annual budget is ~ $10M
• Since 2010, the program has:
  • Rehabbed over 2,500 vacant properties
  • Demolished 1,700 dilapidated structures
  • Provided over 500 grants to homebuyers buying vacant properties

LESSONS FOR NORFOLK

• Holistic focus on redevelopment that goes beyond demolition
• Partnering with private developers allows market forces to drive value creation
• The City packages properties together so that blocks are redeveloped in struggling neighborhoods
• Code enforcement is combined with homeownership grants
Executive Summary

Deconcentrate Poverty

**Strengthen Neighborhoods**
- Increase Homeownership
- Promote Small Rental Revitalization

**Create New Rental Housing**

Sources of Funding
New Rental Housing | Develop quality affordable rental housing to meet existing needs and attract new residents.

- Rents are not high enough in most tipping point neighborhoods to support the development of new rental housing.
- LIHTC financing can provide subsidy to develop new affordable rental units that target residents with incomes equal to or higher than the median of existing residents.

To create new quality housing across all neighborhoods, the City of Norfolk should support the development of LIHTC projects, specifically 4% LIHTC projects.

1. 4% LIHTC Projects
LIHTC | In tipping point neighborhoods, the average household income for LIHTC renters is at or above average incomes in the neighborhood.

LIHTC projects typically serve households earning 50-60% of AMI. In Norfolk, this means a family of four earning between $35,450 - $42,540. This is higher than average household incomes in Norfolk’s tipping and weak neighborhoods.
LIHTC | Norfolk is competitive regionally with 9% projects, but could increase total LIHTC development by supporting additional 4% projects.

NUMBER OF LIHTC UNITS FUNDED
Tidewater Region
2010 - 2016

<table>
<thead>
<tr>
<th>Location</th>
<th>Total Projects</th>
<th>9% Projects</th>
<th>4% Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newport News</td>
<td>16</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Norfolk</td>
<td>13</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>8</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>VA Beach</td>
<td>7</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Suffolk</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Remaining Jurisdictions</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Hampton</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
**FUNDING SOURCE**
Local sources to leverage 4% credit projects include the AHTF, discounted land, and Performance-Based Grants

**TARGET POPULATION**
Households earning up to $42,540 (60% of AMI)* in tipping point and strong neighborhoods

**RECOMMENDATIONS**
- Dedicate AHTF dollars to 4% projects
- Discount public land to lower cost of development
- Make 4% LIHTC developments eligible for Performance-Based Grant program

---

*Assumes a household size of four*
4% LIHTC Projects | Analysis was conducted to determine the financial feasibility of a prototypical 4% LIHTC project in Norfolk.

When the development cost is greater than the value of the property, a feasibility gap emerges.

DEVELOPMENT COST VS. VALUE

COST OF DEVELOPMENT

- Profit
- Financing
- Soft Costs
- Hard Costs
- Land

FINANCING SOURCES

- Debt
- Equity

Feasibility Gap
4% LIHTC Projects | Project assumptions were based on actual LIHTC projects developed and under development in the Tidewater area.

### HYPOTHETICAL 4% TAX CREDIT DEVELOPMENT PROJECT ASSUMPTIONS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Type</td>
<td>Mid-rise</td>
</tr>
<tr>
<td>Number of Units</td>
<td>124 units</td>
</tr>
<tr>
<td>Average Unit Size (SF)</td>
<td>898 SF</td>
</tr>
<tr>
<td>Building Efficiency</td>
<td>85%</td>
</tr>
<tr>
<td>% of Units that are Affordable</td>
<td>100%</td>
</tr>
<tr>
<td>Affordability Requirement</td>
<td>Households earning up to $42,540 (60% of AMI)*</td>
</tr>
</tbody>
</table>

*Assumes a household size of four
4% LIHTC Projects | According to the analysis, even with 4% tax credit subsidy and soft loans, development costs exceed the project’s value, resulting in a feasibility gap.

**HYPOTHETICAL 4% TAX CREDIT DEVELOPMENT**

<table>
<thead>
<tr>
<th>Cost of Development</th>
<th>FINANCING SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14 million</td>
<td>GAP</td>
</tr>
<tr>
<td>($114K per unit)</td>
<td>VHDA SPARC</td>
</tr>
<tr>
<td></td>
<td>$2.5 million</td>
</tr>
<tr>
<td></td>
<td>($20K per unit)</td>
</tr>
<tr>
<td></td>
<td>Tax Exempt Bond</td>
</tr>
<tr>
<td></td>
<td>$5.5 million</td>
</tr>
<tr>
<td></td>
<td>($44K per unit)</td>
</tr>
<tr>
<td></td>
<td>4% LIHTC</td>
</tr>
<tr>
<td></td>
<td>$5.1 million</td>
</tr>
<tr>
<td></td>
<td>($42K per unit)</td>
</tr>
</tbody>
</table>

**Feasibility Gap:**

$960K

($7.8K per unit)
**4% LIHTC Projects** | The City can close the feasibility gap through local and federal sources.

---

**GAP FINANCING TOOLS**

<table>
<thead>
<tr>
<th>Affordable Housing Trust Fund</th>
<th>A portion of the Affordable Housing Trust Fund should be dedicated to helping to fill the gap on 4% projects.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>The City should provide complete or partial land subsidy to lower development costs.</td>
</tr>
<tr>
<td>Performance-Based Grants</td>
<td>The City should make affordable residential housing projects eligible for this subsidy.</td>
</tr>
<tr>
<td>Federal Funding</td>
<td>The City should dedicate a portion of limited HOME funding to 4% LIHTC projects.</td>
</tr>
</tbody>
</table>
**Financial Analysis** | For 4% tax credit projects located on public land, the City can provide discounted or free land to lower the cost of development.

Analysis shows that by donating public land, Norfolk could reduce the feasibility gap on the hypothetical project by 84%. The remaining gap could be filled by an Affordable Housing Trust Fund allocation, a Performance-Based Grant, or federal funds allocated to the City.

**HYPOTHETICAL 4% TAX CREDIT DEVELOPMENT GAP**

- Feasibility Gap (per unit): $1.2K
- Reduced Land Cost: $806K
- Remaining gap: $154K
- Reduction: 84%

*Assumes land is contributed to the project at no cost*
Strengthen Neighborhoods Implementation | By modifying existing housing programs and launching new recommended initiatives, the City can strengthen target neighborhoods.

<table>
<thead>
<tr>
<th>Goals, Initiatives and Programs</th>
<th>Program Status</th>
<th>Implementation – Initial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: Strengthen Neighborhoods</strong></td>
<td>Concentrate housing investment in tipping point and fragile neighborhoods</td>
<td></td>
</tr>
<tr>
<td>Increase Homeownership</td>
<td>Increase homeownership to strengthen neighborhoods and support residents’ ability to build wealth</td>
<td></td>
</tr>
<tr>
<td>Program: Sale of Gem Lots</td>
<td>Modify</td>
<td>Issue RFP to develop lots in the strongest tipping point neighborhoods with GEM lots</td>
</tr>
<tr>
<td>Program: Development Subsidies</td>
<td>Create</td>
<td>Establish underwriting criteria and add capacity</td>
</tr>
<tr>
<td>Program: Renovate Norfolk</td>
<td>Modify</td>
<td>Revise program requirements to prioritize exterior improvements</td>
</tr>
<tr>
<td>Program: Down Payment Assistance</td>
<td>Modify</td>
<td>Revise program requirements to prioritize tipping point neighborhoods</td>
</tr>
<tr>
<td>Small Rental Revitalization Initiative</td>
<td>Improve the quality and preserve the affordability of small rental properties</td>
<td></td>
</tr>
<tr>
<td>Program: Rental Rehabilitation</td>
<td>Create</td>
<td>Dedicate funding to launch a Rental Rehabilitation Fund and add underwriting capacity</td>
</tr>
<tr>
<td>Program: Rent Ready Norfolk</td>
<td>Modify</td>
<td>Expand program to additional tipping point and fragile neighborhoods</td>
</tr>
<tr>
<td>Program: Derelict Structure Code</td>
<td>Modify</td>
<td>Coordinate geographic focus with other housing programs</td>
</tr>
<tr>
<td>New Rental Housing Initiative</td>
<td>Develop quality affordable rental housing to meet existing needs and attract new residents</td>
<td></td>
</tr>
<tr>
<td>Program: Rental Housing Development</td>
<td>Create</td>
<td>Revise the City's policies for Performance-Based Grants, public land disposition and housing funding.</td>
</tr>
</tbody>
</table>
Executive Summary
Strengthen Neighborhoods
Deconcentrate Poverty

Sources of Funding
Funding Sources | Norfolk should create local housing funding to leverage private financing as well as state and federal funding.

<table>
<thead>
<tr>
<th>LOCAL</th>
<th>STATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Public Land</td>
<td>• Low Income Housing Tax Credit (LIHTC)</td>
</tr>
<tr>
<td>• Assessment Districts</td>
<td>• Virginia Housing Development Authority Grants and Loans</td>
</tr>
<tr>
<td>• Performance-Based Grants</td>
<td></td>
</tr>
<tr>
<td>• Affordable Housing Trust Fund</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRIVATE</th>
<th>FEDERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Loans</td>
<td>• HOME Program</td>
</tr>
<tr>
<td>• Equity Investments</td>
<td>• Community Development Block Grants (CDBG)</td>
</tr>
<tr>
<td>• Philanthropic Grants</td>
<td></td>
</tr>
</tbody>
</table>
**Federal Funding** | Norfolk should focus CDBG and HOME funding on strengthening neighborhoods and deconcentrating poverty.

### Federal Program Funding
Norfolk, 2016

<table>
<thead>
<tr>
<th>Funding</th>
<th>Program</th>
<th>Annual Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDBG</strong></td>
<td>Public Services</td>
<td>$580,000</td>
</tr>
<tr>
<td></td>
<td>Public Facilities</td>
<td>$670,000</td>
</tr>
<tr>
<td></td>
<td>Public Improvements</td>
<td>$200,000</td>
</tr>
<tr>
<td></td>
<td>Housing Rehab and Loan Program</td>
<td>$2,150,000</td>
</tr>
<tr>
<td></td>
<td>Revolving Loan Fund</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>$270,000</td>
</tr>
<tr>
<td><strong>Total CDBG Funding</strong></td>
<td></td>
<td>$4,120,000</td>
</tr>
<tr>
<td><strong>HOME</strong></td>
<td>Direct Homeownership Assistance</td>
<td>$490,000</td>
</tr>
<tr>
<td></td>
<td>Construction of Housing (CHDO)</td>
<td>$130,000</td>
</tr>
<tr>
<td></td>
<td>Rental Subsidies</td>
<td>$170,000</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>$90,000</td>
</tr>
<tr>
<td><strong>Total HOME Funding</strong></td>
<td></td>
<td>$880,000</td>
</tr>
<tr>
<td><strong>Total Federal Funding</strong></td>
<td></td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

Source: Norfolk Redevelopment and Housing Authority; HR&A Advisors
State Funding | Norfolk should maximize state funding to support affordable housing.

**TYPE OF LIHTC DEVELOPMENT**

- **9% Tax Credit**
  - Debt/Subsidy
  - 9% Tax Credit Equity
  - 70-80% of development cost

- **4% Tax Credit**
  - Debt/Subsidy/Tax Exempt Bond Financing
  - 30-40% of development cost

**9% Target:**
- Public housing redevelopment

**4% Target:**
- New mixed-income rental housing
Assessment Districts | Norfolk should use assessment districts to strengthen neighborhoods and deconcentrate poverty in specific locations.

Norfolk needs to use a combination of different types of assessment districts to address housing needs.

**Community Development Authorities and Special Service Districts**

**Advantage**
Allows for increased assessment above current property tax level

**Limitation**
Funds generated must be used to support public infrastructure improvements

**TIF by Agreement**

**Advantage**
Funds generated can be used to support non-public infrastructure initiatives

**Limitation**
Uses incremental tax revenue, but does not allow for an increase in the tax rate

Source: Bill Nusbaum of Williams Mullen law firm; HR&A research
**Public Land** | Norfolk should offer available City-owned or NRHA-owned property at a reduced price in order to make affordable housing development more feasible.

More than 1,800 parcels of land in Norfolk are owned by the City, about 200 of which are occupied by existing facilities such as schools, fire stations, and libraries.

Residential developments receiving land at a reduced cost should be required to meet an established affordability requirement.

*Includes all City-owned land, including land occupied by existing facilities*
*Source: City of Norfolk*
Performance-Based Grants | Permit residential projects to qualify for Performance-Based Grants in order to incentivize mixed-income housing development.

CURRENT POLICY
Performance-Based Grants are used in Norfolk to promote economic development initiatives and support investment that would otherwise not be possible.

LIMITATIONS
Although not currently applicable to residential properties due to job creation requirements, large-scale residential projects can have significant economic development impacts.

RECOMMENDATION
Norfolk should adjust job creation requirements for Performance-Based Grants to allow grants to large-scale residential projects that serve as a development catalyst and generate an economic impact.

PERFORMANCE-BASED GRANT REQUIREMENTS
Projects seeking a Performance-Based Grant must meet the following criteria:
- Must represent a significant capital investment
- Must be a significant job generator
- Must be a catalyst for future development
- Cannot be completed to the City's standards without assistance
Affordable Housing Trust Fund (AHTF) | Establish an AHTF to replace declining federal funding and leverage private financing to create affordable housing

AHTFs are pools of capital dedicated to affordable housing. The use of local AHTFs has increased as federal support for affordable housing has declined. An AHTF provides Norfolk with flexible funding to pursue its affordable housing goals.

FUNDING SOURCE
Multiple potential local funding sources including: transfer taxes, hotel taxes, property levy, short-term rental tax, vacancy fee, and expiring tax abatements.

TARGET POPULATION
Households earning up to $56,700 (80% of AMI)*

RECOMMENDATIONS
• Aggregate multiple local funding sources
• Use to leverage private investment in affordable housing
• Establish an oversight committee of housing experts and community stakeholders

*Assumes household size of four
**Affordable Housing Trust Fund** | While there are similarities across AHTFs, each individual fund is unique, adapted to fit the circumstances of its community.

<table>
<thead>
<tr>
<th></th>
<th>Arlington, VA</th>
<th>Seattle, WA</th>
<th>Columbus &amp; Franklin County, Ohio</th>
<th>Philadelphia, PA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Size (annual)</strong></td>
<td>~$13M (allocated)**</td>
<td>~$20M</td>
<td>~$6M**</td>
<td>~$12M**</td>
</tr>
<tr>
<td><strong>Affordability Target</strong></td>
<td>• &lt; 60% AMI</td>
<td>• &lt; 80% AMI (40%)</td>
<td>&lt; 80% AMI</td>
<td>• &lt; 115% AMI</td>
</tr>
<tr>
<td></td>
<td>• &lt; 80% AMI</td>
<td>• &lt; 30% AMI (60%)</td>
<td></td>
<td>• &lt;30% AMI (majority of fund)</td>
</tr>
<tr>
<td><strong>Output (annual)</strong></td>
<td>• 657 rental units</td>
<td>• 542 rental units</td>
<td>751 affordable units**</td>
<td>6,357 households assisted**</td>
</tr>
<tr>
<td></td>
<td>• 17 households assisted*</td>
<td>• 619 households assisted*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Award Size</strong></td>
<td>No minimum</td>
<td>Up to ~$5M*</td>
<td>$45K -$4M**</td>
<td>No minimum</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td>Arlington Dept. of Community Planning, Housing and Dev.</td>
<td>Seattle Office of Housing</td>
<td>Independent non-profit agency</td>
<td>Philadelphia Division of Housing &amp; Community Dev.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Developer contributions, general revenue, recordation fees</td>
<td>Special property tax assessment</td>
<td>Hotel &amp; real estate tax</td>
<td>Deed &amp; mortgage recording fees</td>
</tr>
</tbody>
</table>

*As reported for 2014
**As reported for 2015
**Affordable Housing Trust Fund** | Typically, AHTFs are established through an ordinance by local government and include three main components.

1. **Source(s):** Pursue multiple funding streams, beginning with sources that are appropriate for Norfolk.

2. **Use(s):** Adopt an ordinance that specifies critical fund uses but leaves flexibility for changing circumstances.

3. **Administration:** Structure the fund to leverage private investment, require public reporting and engage affordable housing stakeholders.
**Affordable Housing Trust Fund** | Norfolk should dedicate multiple funding sources to support a trust fund.

HR&A has identified the following sources as high-potential sources to fund an AHTF, as well as estimated the potential revenue range.

<table>
<thead>
<tr>
<th>High Potential Sources</th>
<th>Definition</th>
<th>Revenue Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Transfer Taxes</td>
<td>A tax or fee assessed on the transfer of any residential property</td>
<td>$500K</td>
</tr>
<tr>
<td>Hotel Tax and Bed Fee</td>
<td>A specific tax and bed fee on hotel properties</td>
<td>$1.2M-$1.8M</td>
</tr>
<tr>
<td>Vacancy Registration Fee</td>
<td>A set fee on vacant land or buildings</td>
<td>$80K-$120K</td>
</tr>
<tr>
<td>Expiring Tax Abatement</td>
<td>The capture of increased tax revenue from expiring abatements</td>
<td>$1.5M</td>
</tr>
<tr>
<td>Short-Term Rental Tax</td>
<td>A new tax on short-term rentals</td>
<td>$60K-$90K</td>
</tr>
<tr>
<td>Property Levy</td>
<td>A dedicated increase in the real estate tax</td>
<td>$1.3M-$2M</td>
</tr>
</tbody>
</table>

**Total Estimated Range of Annual Revenue:** $4.6M - $6M
**Affordable Housing Trust Fund** | Pursue multiple funding streams, beginning with those sources that are appropriate for Norfolk.

**Real Estate Transfer Taxes or Fees:** a tax or fee assessed on the transfer of any residential property. Currently, one third of the state recordation tax (~8.33 cents per $100) is allocated to Norfolk.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• While individual assessments may be small, can make up sizable funds</td>
<td>• Local recordation fee is currently at the maximum rate and is allocated to the general fund</td>
</tr>
<tr>
<td>• Can be structured to protect low- and moderate-income homeowners</td>
<td>• State control over the grantor’s tax makes it ineligible as a source</td>
</tr>
<tr>
<td>• Straightforward implementation and enforcement</td>
<td></td>
</tr>
</tbody>
</table>

The Local Recordation Tax could generate up to $500K for housing annually if reallocated to the AHTF.
Affordable Housing Trust Fund | Pursue multiple funding streams, beginning with those sources that are appropriate for Norfolk.

**Hotel Tax:** a specific tax on hotel properties. Currently, Norfolk’s has an 8% hotel tax rate and $2 bed fee per room per night.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• An existing tax under local control, with no statutory cap</td>
<td></td>
</tr>
<tr>
<td>• Norfolk is an established tourist destination with large hotel sector</td>
<td></td>
</tr>
<tr>
<td>• Hotel taxes are typically supported by voters</td>
<td></td>
</tr>
<tr>
<td>• Raising the taxes could put Norfolk’s hotels at a competitive disadvantage</td>
<td></td>
</tr>
<tr>
<td>• Increasing rates may decrease the number of visitor to Norfolk</td>
<td></td>
</tr>
</tbody>
</table>

A 1% increase in the hotel tax and $1 increase in the bed fee would generate $1.2M - $1.8M annually.
**Affordable Housing Trust Fund** | Pursue multiple funding streams, beginning with those sources that are appropriate for Norfolk.

**Vacancy Registration Fee:** A set fee on vacant land or buildings. Norfolk’s current vacancy registration fee is set at $100 annually.

- **Advantages**
  - Fee incentivizes property owners to take action against blight
  - Raising the fee will likely have homeowner support
  - Existing fee is low compared to other cities

- **Limitations**
  - Requires significant administrative resources
  - Generates modest revenue given the limited number of vacant properties

*A monthly vacancy fee of $100 would generate $80K - $120K.*

*Assuming an estimate 1,000 vacant properties and a monthly fee of $100. Vacancy estimate based on interview with Sherry Johnson.*
**Expiring Tax Abatement:** the capture of increased tax revenue from expiring abatements. Norfolk currently awards Performance-Based Grants for commercial properties, as well as a evaporating tax abatement for renovated properties.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Easy to project annual funding level</td>
<td>• Will require changes to the Performance-Based Grant program</td>
</tr>
<tr>
<td>• Lowers the cost of affordable housing development</td>
<td>• Diverts expiring tax abatement revenue from the general fund</td>
</tr>
<tr>
<td>• Does not require an increase in fees or taxes</td>
<td></td>
</tr>
</tbody>
</table>

The funds generated by the tax abatement program are estimated to increase by $120K per year (capped at $1.5M).
**Affordable Housing Trust Fund** | Pursue multiple funding streams, beginning with those sources that are appropriate for Norfolk.

**Short-Term Rental Tax:** a new tax on short-term rentals, such as units advertised on Airbnb, etc.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A new and untapped revenue source</td>
<td>• May produce only modest revenue</td>
</tr>
<tr>
<td>• Draws from a sector that is likely to grow</td>
<td>• Likely to be difficult to collect and administer</td>
</tr>
<tr>
<td></td>
<td>• Can lead to displacement of existing residents</td>
</tr>
</tbody>
</table>

**A 6% tax rate on short-term rentals would generate $60K - $90K annually.**

*Based on data collected through Airbnb and AirDNA.*
Affordable Housing Trust Fund | Pursue multiple funding streams, beginning with those sources that are appropriate for Norfolk.

Property Levy: a dedicated increase in the real estate tax. Currently, Norfolk’s property tax rate is set at 1.15%.

**Advantages**
- Can generate significant funds
- Property tax rate is lower than neighboring jurisdictions
- “Penny Funds” have been implemented across the country

**Limitations**
- Increases housing costs for existing property owners
- Subject to political turnover, unless set up not to

A 1 cent increase in the property tax would generate $1.3M-$2M.
**Affordable Housing Trust Fund** | An AHTF can leverage private financing and public funding at the project or fund level.

---

**FUND: REVOLVING LOAN POOL**

- **AHTF Investment**: $3 million
- **Local Bank**: $6 million
- **Leverage**: 2X

**Fund Level AHTF Use**

- **Advantage**: Funds recaptured
- **Limitation**: Less leverage

---

**PROJECT: LIHTC DEVELOPMENT**

Example 126 Unit Development

- **VHDA SPARC**: $2.5 million
- **Tax Exempt Bond**: $5.5 million
- **4% LIHTC**: $5.1 million
- **Leverage**: 13X

**Project Level AHTF Use**

- **Advantage**: More leverage
- **Limitation**: No funds recaptured

---

**Sources of Funding:**

Local
Affordable Housing Trust Fund | The City should require the AHTF’s uses towards addressing the goals of strengthening neighborhoods and deconcentrating poverty.

AHTF Uses

• The eligible uses for the AHTF should be dedicated to all programs under the Norfolk Affordable Housing Study that further the goals of strengthening neighborhoods and deconcentrating poverty.

• Given the lack of affordable housing options for low- and moderate-income households, AHTF dollars should be prioritized as follows:
  • 20% of funds to households earning under 80% AMI
  • 40% of funds to households earning under 60% AMI
  • 40% of funds to households earning under 30% of AMI
Affordable Housing Trust Fund | Administration of trust funds should be transparent and leverage external underwriting capacity.

AHTF Administration

- Designate Neighborhood Department as the lead agency for the AHTF and identify an external partner to support underwriting.
- Ensure that the lead agency has the appropriate staff resources to administer the AHTF.
- Create an oversight committee of lenders and stakeholders involved with affordable housing, including CDFIs, non-profits, as well as a seat for the public-at-large.
- The committee should report annually to City Council, have an annual external audit, and create a AHTF website for increased public transparency.

D.C HOUSING PRODUCTION TRUST FUND ADVISORY BOARD
DC’s Housing Production Trust Fund (HPTF) Advisory Board advises the Mayor on the development, financing, and operations of the HPTF. The Board may also review the uses of the HPTF for conformity with the purposes of the Act. Board members include non-profits, housing associations and foundations, CDFIs, and financial services.

In addition, DC’s HPTF’s online presence offers a particularly good example for Norfolk, and includes: a map of projects in the pipeline, and affordable housing development and preservation charts. In the further interest of transparency, the District auditor’s office recently reinforced that there be annual and quarterly reports (as noted in the authorizing ordinance), as well as annual outside audits by accounting firms.
## Actions to Bolster Funding Sources

Norfolk should allocate additional public resources to support affordable housing.

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Goals, Initiatives and Programs</th>
<th>Program Status</th>
<th>Implementation – Initial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Funding</strong></td>
<td>Focus federal funding on deconcentrating poverty and strengthening neighborhoods.</td>
<td>Modify</td>
<td>Budget federal funding to align with the needs of targeted neighborhoods and public housing projects</td>
</tr>
<tr>
<td>CDBG &amp; HOME</td>
<td>Revise CDBG and HOME funding to focus on strengthening neighborhoods and deconcentrating poverty</td>
<td>Modify</td>
<td></td>
</tr>
<tr>
<td><strong>State Funding</strong></td>
<td>Maximize state funding to support affordable housing.</td>
<td>Modify</td>
<td></td>
</tr>
<tr>
<td>9% LIHTC</td>
<td>Target 9% tax credit awards to subsidize the redevelopment of public housing</td>
<td>Modify</td>
<td>Partner with affordable housing developer(s) to win 9% tax credits</td>
</tr>
<tr>
<td>4% LIHTC</td>
<td>Leverage 4% tax credits to subsidize the development of new rental housing</td>
<td>Modify</td>
<td>Provide local funding to leverage 4% tax credits</td>
</tr>
<tr>
<td><strong>Local Funding</strong></td>
<td>Create new local funding sources to deconcentrate poverty and strengthen neighborhoods.</td>
<td>New</td>
<td>Identify priority neighborhoods and public housing sites</td>
</tr>
<tr>
<td>Assessment Districts</td>
<td>Establish assessment districts to support the strengthening of target neighborhoods and redevelopment of public housing sites</td>
<td>New</td>
<td>Establish a policy of discounting public land used for affordable housing</td>
</tr>
<tr>
<td>Public Land</td>
<td>Contribute public land at a discount to create affordable housing</td>
<td>New</td>
<td>Modify Performance-Based Grant regulations to allow affordable housing</td>
</tr>
<tr>
<td>Performance-Based Grants</td>
<td>Make affordable housing developments an eligible recipient of Performance-Based Grants</td>
<td>New</td>
<td>Dedicate revenue sources to establish an affordable housing trust fund</td>
</tr>
<tr>
<td>Affordable Housing Trust Fund</td>
<td>Establish an affordable housing trust fund supported by multiple revenue sources</td>
<td>New</td>
<td></td>
</tr>
</tbody>
</table>