Agenda

Introduction

Key Findings

Housing Trust Fund
Introduction
**Introduction** | HR&A is an economic development, real estate, and public policy consulting firm with national experience developing and implementing affordable housing strategies.
**Introduction** Since August 2022, HR&A has been supporting the City’s Department of Housing and Community Development with three primary areas of work.

### COMPREHENSIVE HOUSING STUDY UPDATE
- Housing Needs Analysis
- Market Conditions Assessment
- Gap Analysis
- Housing Barrier Analysis
- Review of available financing mechanisms
- Recommended Goals

**Complete**

### NDHCD STRATEGIC PLAN
- Recommended strategies

**Complete**

### TECHNICAL ASSISTANCE
- Housing Trust Fund Analysis
- Transaction Support
- Standardized Gap Funding Guidelines
- Inclusionary Zoning Analysis
- Technical Training

**Complete**
Key Findings
Key Findings | The Comprehensive Study revealed three major barriers to addressing housing market and housing affordability challenges in Norfolk.

Stagnant Growth: Norfolk is not capturing regional growth, which undermines the vitality of neighborhoods throughout the city.

1% vs. 6%
Population Growth in Norfolk vs. the Region (2010-2020)

Concentrated Poverty: Norfolk has a disproportionate share of the region’s poverty, and that poverty is further concentrated within Norfolk.

31% vs. 16%
Households making <$35k in Norfolk vs. Virginia Beach

Capacity and Funding: The scale of funding for housing is not enough to achieve the City’s goals or build the capacity of community partners.

Federal funding sources dedicated to housing programs other than St Paul’s redevelopment

$2M
Rental Supply Gap | The Comprehensive Study showed that Norfolk has a supply gap of over 6,000 rental units for households making less than $35,000 per year.

Rental Units Affordable to Households by Income (2020)

Source(s): ACS 5-Year Estimates 2020
Stagnant Growth | Norfolk is not capturing regional growth, which is the primary driver of weak housing market economics in the city.

Comparative Population Growth (1990-2020)

The City of Norfolk's population has remained stagnant since 2010, in contrast to modest population growth in the Norfolk-Virginia Beach MSA and the State.

Total Units in Norfolk by Decade Built (2020)

Norfolk added far less housing in the past decade than in decades prior.

Source(s): ACS 2020 5-year estimate
**Stagnant Growth** | As a result, housing investments are concentrated in a small number of neighborhoods, and the housing market in most of the city does not support investments in homes.

The majority of housing investment is occurring in a few neighborhoods, while many other neighborhoods continue to experience market-driven disinvestment and decline.

**Single Family New Construction Permits and New Multifamily Units in Norfolk (2018-2022)**

- **East Ocean View** 196 units
- **Near Old Dominion University** 416 units
- **Downtown Norfolk** 518 units

**Source(s):** City of Norfolk Open Data, National Housing Preservation Database, Costar (2018-2022)
Concentrated Poverty | Poverty in the Hampton Roads region is concentrated in Norfolk, undermining the housing market and perpetuating segregation.

Hampton Roads Poverty Map (2021)
(Percent of Population whose income in the past 12 months is below poverty level)

31% of Norfolk’s population makes <$35k annually

vs.

16% in Virginia Beach

Source(s): ACS 2020 5-year estimate
Concentrated Poverty | Poverty is also highly concentrated within the city, in part because the subsidized affordable housing stock is highly concentrated in larger multifamily buildings.

Norfolk Poverty Rate by Census Tract and Multifamily Zoning Status (2021)

The majority of multifamily zoning areas are clustered in neighborhoods with over 20% of the population experiencing poverty.

85% of subsidized rental homes are in high density (20+ unit) multifamily buildings.

Local zoning and Virginia’s Qualified Allocation Plan (QAP) process limit where LIHTC units can be built, both across the region and within Norfolk.

- LIHTC can only be built where zoning allows multifamily production.
- QAP scoring criteria prioritizes development in high-poverty neighborhoods.

Source(s): ACS 2021 5-year Estimates, City of Norfolk Department of Planning
**Concentrated Poverty** | Recent investments in Low Income Housing Tax Credit projects (LIHTC) have been distributed across the city, in line with the City’s goals to deconcentrate poverty.

LIHTC projects provide critical rental housing that is affordable to low- and very low-income households.

Deconcentrating poverty in Norfolk will ultimately require helping households choose neighborhoods in areas of opportunity across the region.

Source(s): ACS 2020 5-year Estimates, City of Norfolk Department of Planning
Concentrated Poverty | Regional land use limits opportunities for higher density, lower cost homes across the regional housing market, including subsidized multifamily affordable housing.

Share of Homes by Tenure and Building Size, Hampton Roads Region (2021)

Norfolk has the most diverse housing stock in the region.

Source(s): ACS 2020 5-year estimate
Naturally Occurring Affordable Housing | Norfolk’s large naturally affordable housing stock offers a crucial source of affordable housing to residents, presenting an important opportunity for housing preservation.

Rental Units by Housing Type (2021)

- **Unrestricted** |
  - 42,700
  - 82%
- **Income Restricted** |
  - 9,316
  - 18%

| Total Renter-Occupied Housing Units | 52,016 |

NOAH Multifamily Rental Housing by Affordability Level (2021)

- **Unrestricted** |
  - 15,704
  - 63%
- **<30% AMI** |
  - 1,816
  - 12%
- **30-50% AMI** |
  - 3,532
  - 22%
- **50-65% AMI** |
  - 5,312
  - 34%
- **65-80% AMI** |
  - 3,148
  - 20%
- **>80% AMI** |
  - 1,897
  - 12%

There are about 27,000 unsubsidized NOAH units affordable to households making 80% of median household income, compared to about 9,300 total subsidized units.

**Source(s):** ACS 2020 5-year estimates, National Housing Preservation Database, 2022, Norfolk Department of Planning, 2022
**Capacity + Funding** | The City is investing substantial capital into St. Paul’s Redevelopment Area, but the City has not committed recurring local funding for other housing programs.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Funding Type</th>
<th>Amount</th>
<th>Recurring?</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Paul's Penny Tax</td>
<td>Local</td>
<td>$3,958,500</td>
<td>Recurring</td>
</tr>
<tr>
<td>Emergency Solutions Grant</td>
<td>Entitlement</td>
<td>$384,637</td>
<td>Recurring</td>
</tr>
<tr>
<td>HOME Investment Partnerships Program</td>
<td>Entitlement</td>
<td>$1,246,498</td>
<td>Recurring</td>
</tr>
<tr>
<td>Community Development Block Grant</td>
<td>Entitlement</td>
<td>$4,554,454</td>
<td>Recurring</td>
</tr>
<tr>
<td>Capital Improvement Funding (St. Paul’s)*</td>
<td>Local</td>
<td>$108,000,050</td>
<td>One-time</td>
</tr>
<tr>
<td>Choice Neighborhoods Initiative (Tidewater Gardens)</td>
<td>Federal</td>
<td>$30,000,000</td>
<td>One-time</td>
</tr>
<tr>
<td>BUILD Grant (St. Paul’s)</td>
<td>Federal</td>
<td>$14,400,000</td>
<td>One-time</td>
</tr>
<tr>
<td>HUD Community Project Funding (St. Paul’s)</td>
<td>Federal</td>
<td>$2,900,000</td>
<td>One-time</td>
</tr>
<tr>
<td>Capital Improvement Funding (ARPA)</td>
<td>Local</td>
<td>$1,000,000</td>
<td>One-time</td>
</tr>
<tr>
<td>Capital Improvement Funding (Owner-Occupied Rehab)</td>
<td>Local</td>
<td>$200,000</td>
<td>One-time</td>
</tr>
<tr>
<td>Capital Improvement Funding (Strengthening Neighborhoods)*</td>
<td>Local</td>
<td>$7,400,000</td>
<td>One-time</td>
</tr>
</tbody>
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All of the City’s **recurring funding** for housing programs other than St Paul’s redevelopment is coming from federal entitlements, which lacks the scale and flexibility needed to have impact.

*Footnote: *Total is equal to the amount both appropriated and planned as of the FY 2023 budget.
**Strategic Plan** | The Strategic Plan outlines five core strategies to guide NDHCD’s priorities through 2028, which include dozens of policies and programs.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Policies and Programs</th>
</tr>
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<tbody>
<tr>
<td>1  Create new affordable rental housing and homeownership opportunities</td>
<td>✓  Support mixed-income development in areas of opportunity</td>
</tr>
<tr>
<td>2  Preserve existing affordable housing and strengthen neighborhoods</td>
<td>✓  Establish public land disposition process</td>
</tr>
<tr>
<td>3  Deconcentrate poverty and facilitate mobility to areas of opportunity</td>
<td>✓  Extend rental affordability periods</td>
</tr>
<tr>
<td>4  Build regional capacity and coordination around affordable housing</td>
<td>✓  Target owner-occupied and rental repair programs</td>
</tr>
<tr>
<td>5  Secure dedicated, ongoing, and flexible funding for housing</td>
<td>✓  Continue redevelopment of obsolete public housing</td>
</tr>
<tr>
<td></td>
<td>✓  Promote housing choice with tenant mobility and landlord support programs</td>
</tr>
<tr>
<td></td>
<td>✓  Support strong regional housing nonprofit</td>
</tr>
<tr>
<td></td>
<td>✓  Provide technical assistance for partners</td>
</tr>
<tr>
<td></td>
<td>✓  Establish Affordable Housing Trust Fund</td>
</tr>
</tbody>
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**Current Focus Areas** | NDHCD should continue existing work to advance the first four strategic focus areas outlined in the NDHCD Strategic Plan.

<table>
<thead>
<tr>
<th>New Affordable Rental and Homeownership</th>
<th>Housing Preservation</th>
<th>Deconcentrating Poverty + Housing Mobility</th>
<th>Regional Capacity and Coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Disposition of vacant City-owned residential property (Auction Process)</td>
<td>✓ Renovate Norfolk Owner-Occupied Rehabilitation</td>
<td>✓ Landlord outreach and engagement</td>
<td>✓ Support Hampton Roads Housing Consortium regional housing study</td>
</tr>
<tr>
<td>✓ Downpayment assistance through NRHA HomeNet</td>
<td>✓ Critical home repair for owner-occupied homes (through nonprofit partners)</td>
<td>✓ Expand Landlord Incentive Program Citywide</td>
<td>✓ Attract and support regional housing nonprofit partner(s)</td>
</tr>
<tr>
<td>✓ Support LIHTC and mixed-income developments through discounted land</td>
<td>✓ Strengthening Neighborhoods’ rental rehabilitation program</td>
<td>✓ Housing counseling services (through People First and other nonprofit partners)</td>
<td>✓ Implement minority developer training series</td>
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</table>
**Strategic Plan** | The Strategic Plan and accompanying housing study will become public documents that guide the City’s efforts to address its housing needs, but implementation requires additional resources.

<table>
<thead>
<tr>
<th>Number</th>
<th>Strategy</th>
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<tbody>
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<td>3</td>
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<td>4</td>
<td>Build regional capacity and coordination around affordable housing and access to opportunity</td>
</tr>
<tr>
<td>5</td>
<td>Secure dedicated, ongoing, and flexible funding for housing</td>
</tr>
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**Resources required to execute these strategies:**

- Availability of funding
- Political support
- Community partnerships
- Internal staff capacity
03

Housing Trust Fund
**Housing Trust Fund** | Establishing a local Housing Trust Fund in Norfolk is essential to scale local programs and build capacity to meet housing needs and promote a healthy housing market.

**What is a Housing Trust Fund?**

- Housing trust funds are a source of flexible local funding that do not carry federal restrictions and can be used to support a variety of affordable housing activities determined by local priorities.

**Why is there a need for a Housing Trust Fund?**

- Leverages state and federal funding
- Flexibility to meet community needs
- Builds the capacity of nonprofit partners
- Attracts philanthropic support
- Allows housing programs to scale
- Creates a process for how funding decisions are made based on priorities
**Housing Trust Fund Design** | Launching a successful Housing Trust Fund in Norfolk will require making decisions across four primary design components.

**Four Components of Housing Trust Fund Design for Norfolk:**

<table>
<thead>
<tr>
<th>Component</th>
<th>Question</th>
</tr>
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<tbody>
<tr>
<td>Policy Goals</td>
<td>What housing needs or policy objectives will the HTF support and advance?</td>
</tr>
<tr>
<td>Funding Sources</td>
<td>What local funding sources can be dedicated to finance Housing Trust Fund activities?</td>
</tr>
<tr>
<td>Governance and Management</td>
<td>Who will ensure the fund is meeting its policy goals, set annual priorities and budgets, make funding decisions, and track the impacts of investments?</td>
</tr>
<tr>
<td>Eligible Activities</td>
<td>What uses or types of programs will be eligible to apply for and receive funding through the Housing Trust Fund?</td>
</tr>
</tbody>
</table>
**Creation Process** | The development of a housing trust fund is a multi-step process that will require staff to conduct research and propose recommendations and Council to set policy.

### Key Steps to Launch a Housing Trust Fund

<table>
<thead>
<tr>
<th>Council Role</th>
<th>Staff Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct staff to explore housing trust fund design</td>
<td>Research and prepare recommendations on: 1) Dedicated funding 2) Policy priorities 3) Operational and governing structure</td>
</tr>
<tr>
<td>Approve creation of fund and dedicate public funding</td>
<td>Recommend final design</td>
</tr>
<tr>
<td>Approve bylaws and governing structure</td>
<td>Draft and finalize governing bylaws based on council resolution</td>
</tr>
<tr>
<td>Revise and approve housing trust fund budget</td>
<td>Draft inaugural housing trust fund budget and selection process</td>
</tr>
<tr>
<td>Review and approve funding awards from housing trust fund</td>
<td>Select housing projects and programs through a competitive process</td>
</tr>
</tbody>
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Norfolk Strategic Housing Plan Update
City of Norfolk
March 2024