Eviction and the Rental Housing Market

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INTRODUCTION

Communities across the Commonwealth of Virginia face high rates of eviction that can lead to neighborhood instability. At the same time, the state faces a shortage of affordable housing and high rates of cost burden and extreme cost burden. Families experiencing high cost burden have little room for error in their monthly budgets, meaning that one bad day can translate into an eviction that causes significant housing instability, including multiple moves or homelessness.

Across Virginia, almost half of all renter households are housing cost burdened, meaning that they pay more than 30% of their incomes for housing[1]. These numbers become more extreme when broken down by income. Table 1 illustrates rent burden by income and region. Extremely Low Income Households (ELI), or those earning less than 30% of the Area Median Income (AMI) have the highest cost burden at 87% statewide, followed by Very Low Income (VLI) Households, or those earning between 30% and 50% of AMI at 80%. Meanwhile, statewide, 72% of ELI renter households face extreme cost burden, meaning that they pay more than 50% of their incomes for housing.

Previous research from the RVA Eviction Lab found that even controlling for income, race and other factors, housing cost burden was a critical contributor to rises in the eviction rate at the neighborhood level. This paper examines the existing housing stock, primarily in the Richmond region to understand the relationship that cost burden may have to high eviction rates in the region. We find that a robust housing preservation and production strategy must focus on housing for households earning less than 50% of the Area Median Income to reduce rent burden and prevent future evictions.

TABLE 1: RENT BURDEN BY INCOME AND METROPOLITAN STATISTICAL AREA, 2016

Area Median Income Group	Virginia	Richmond	Virginia Beach-Norfolk-Newport News	Washington-Arlington-Alexandria
0 to 30%	87%	87%	85%	86%
30% to 50%	80%	78%	84%	81%
50% to 80%	49%	45%	62%	45%
80% to 100%	19%	14%	26%	20%

SOURCE: NATIONAL LOW INCOME HOUSING COALITION GAP REPORT, 2016 (HTTPS://NLIHC.ORG/GAP/2016/VA)

AFFORDABLE RENTAL HOUSING IN THE COMMONWEALTH

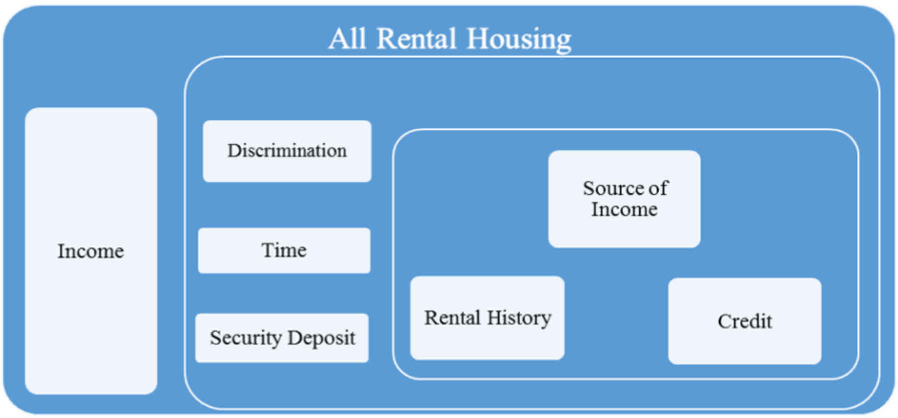
Housing market segmentation describes to the idea that, holding income constant, market participants have access to different segments of the market due to factors that may or may not be within the participants' control. Figure 1 illustrates some of the ways a rental housing market might be segmented. The first division of the market may come from discrimination. Tests of renters into the market have revealed significant discrimination occurs both when a potential tenant inquires about a property. These sources of discrimination may include race or ethnicity, disability, sexual orientation or familial status[2]. The household may also be eliminated from certain rental housing options due

[1] Housing Virginia Sourcebook, 2016: http://www.housingvirginia.org/sourcebook/cost-burden-households-paying-more-than-30-for-housing/

[2] National Fair Housing Alliance. *Making Every Neighborhood a Place of Opportunity: 2018 Fair Housing Trends Report* (2018). https://nationalfairhousing.org/wp-content/uploads/2018/04/NFHA-2018-Fair-Housing-Trends-Report.pdf

to the time of search or the amount of time available for a search or the cost of the security deposit. A third moment of segmentation comes when the potential landlord uses legal and accepted practices for tenant screening. At this time, a landlord may decide not to take a Housing Choice/Section 8 Voucher or disqualify the potential tenant based on his or her rental history – including histories of eviction - criminal record, credit or other background issue such as calls to the police for assistance in domestic violence situations. Owners of higher quality in more desirable neighborhoods can afford to turn potential tenants away because there are likely to be more tenants who will apply. However, property owners with poor quality units, located in neighborhoods with high crime or limited access to jobs or amenities or who have reputations for abusive behavior are more likely to accept most tenants.

FIGURE 1: RENTAL HOUSING MARKET SEGMENTATION



The Richmond region faces a significant shortage of affordable housing for the growing number of households earning less than 50% of the Area Median Income, and that stock has shrunk considerably since 2010. As a result, before a renter household begins contacting property managers about available units, the number of properties available to her are limited. The National Low Income Housing Coalition estimates that the Richmond region faces a shortage of 33,206 units available and affordable to households earning less than 30% of the AMI and a shortage of 28,626 units for those earning less than 50% of Area Median Income (Table 2). In fact, as a region, there are only 31 units for every 100 ELI renters and only 63 for every 100 VLI renters.

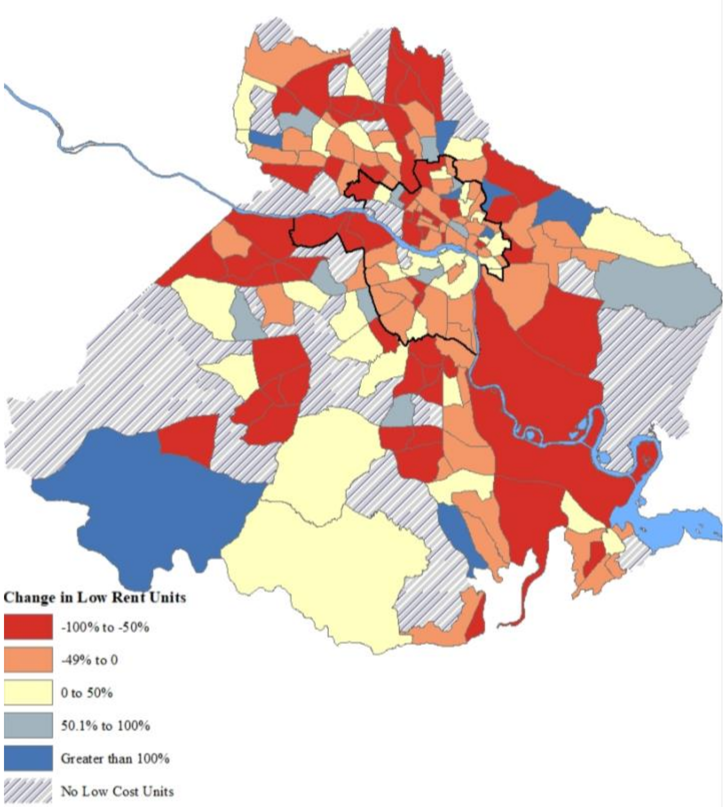
TABLE 2: AFFORDABLE AND AVAILABLE UNITS PER 100 HOUSEHOLDS BY INCOME AND METROPOLITAN STATISTICAL AREA, 2016

Area Median Income Group	Virginia	Richmond	Virginia Beach-Norfolk-Newport News	Washington-Arlington-Alexandria
Below 30% AMI	36	30	33	31
Below 50% AMI	54	63	50	49
Below 80% AMI	100	103	101	106
Below 100% AMI	106	105	107	110

SOURCE: NATIONAL LOW INCOME HOUSING COALITION GAP REPORT, 2016 (HTTPS://NLIHC.ORG/GAP/2016/VA)

Figure 2 illustrates the loss of affordable units between 2010 and 2016 in Henrico County, Chesterfield County, the City of Richmond and the City of Hopewell. While affordable units are often thought about as those that are subsidized through programs like the Low Income Housing Tax Credit, Section 8 or Public Housing, those funds only support approximately 11% of all units affordable to households earning less than 80% of AMI and 15.7% of units for those earning less than 50% of AMI. As a result, affordability is heavily dependent on market affordable housing – or those units that are affordable without subsidy.

FIGURE 2: CHANGE IN RENTAL HOUSING AFFORDABLE TO HOUSEHOLDS AT OR BELOW 50% OF AREA MEDIAN INCOME, 2010-2016



SOURCE: AMERICAN COMMUNITY SURVEY 5 YEAR ESTIMATES, 2010 AND 2016, US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Unfortunately, there are more than 30 tracts, or almost 15% of the region's census tracts, where there are no affordable rental units, effectively shrinking the size of the segment of the rental housing market to which they have access. These tracts are concentrated in areas where a report by the VCU Center for Urban and Regional Analysis showed were centers jobs for low-skilled workers[3]. Moreover, these areas have consistently high quality schools and neighborhoods that address a variety of social determinants of health such as grocery stores, walkable neighborhoods and low crime levels[4].

Region wide, the number of units affordable at 50% of AMI and below has declined by 22.4%. These losses have been spread across the region, with the City of Richmond, Chesterfield County and Henrico County seeing declines of 22%, 31.3% and 19.3%, respectively. However, these percentages mask a loss in real units. Across the region, this has meant a loss of nearly 9,000 units, but they are most notable in the City of Richmond where low-income residents have historically been concentrated through historic policies and ongoing racialized zoning that have excluded low-cost housing entirely. Richmond alone last more units than both Henrico and Chesterfield combined. The exclusion of affordable housing is demonstrated through the suburban areas of Chesterfield and Henrico Counties where there were tracts with no affordable rental units in 2010 or 2016.

In a handful of census tracts across the region, the number of affordable rental units increased. While this may suggest an improvement in affordable housing, Figure 3 suggests that the increase in the number of affordable units in some tracts may mean, not that the same units have gotten more affordable or that new units have been constructed, but that the quality of those units has declined. In Figure 3, we take a closer look at the City of Richmond and overlay data on

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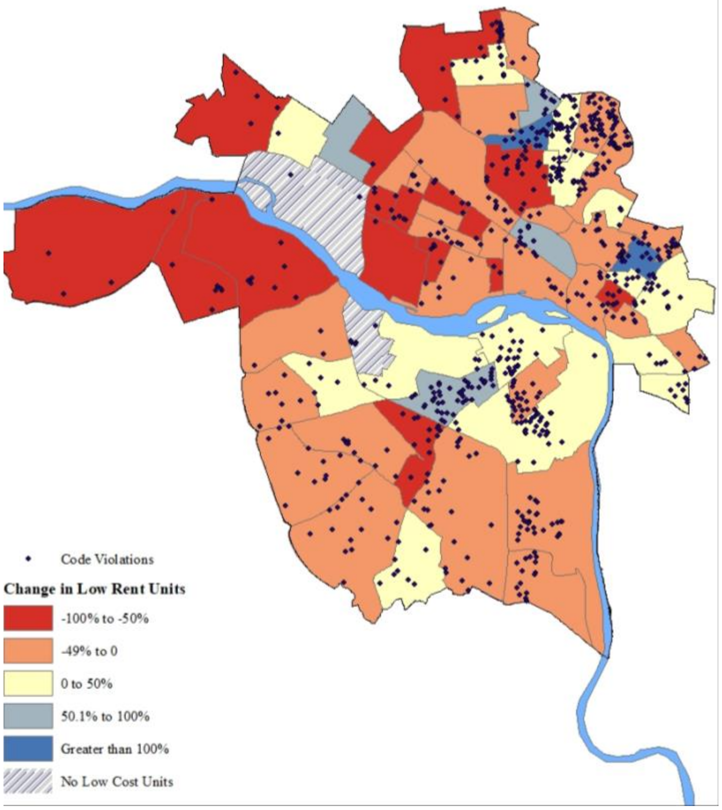
[3] VCU Center for Urban and Regional Analysis. *Understanding the Jobs- Affordable Housing Balance in the Richmond Region* (July 2017)
https://cura.vcu.edu/media/cura/pdfs/cura-documents/EditedJobs-Housing_July12_FINALE.pdf

[4] Koziol, Brian. *Where You Live Makes All the Difference: An Opportunity Map of the Richmond Region (n.d.) http://www.homeofva.org/Portals/0/Images/PDF/whereyouliivemakesallthedifferenceoppmapreport.pdf*

unsafe and unfit structures as defined by the city's Office of Code Enforcement. The neighborhoods with increases in affordable units also saw significant concentrations of code violations in 2016 and 2017.

FIGURE 3: CHANGE IN LOW RENT UNITS AND UNSAFE AND UNFIT STRUCTURES IN THE CITY OF RICHMOND



SOURCE: CITY OF RICHMOND OFFICE OF CODE ENFORCEMENT; AMERICAN COMMUNITY SURVEY 5 YEAR ESTIMATES, 2010 AND 2016, US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Many of these areas also have the city's highest rates of eviction and rent burden as well as layers of disadvantage such as failing schools and lack of access to healthy food and banking institutions. These include areas in the north side of the city, specifically along Chamberlayne Avenue and in the south side of the city on the Jefferson Davis and Hull Street corridors.

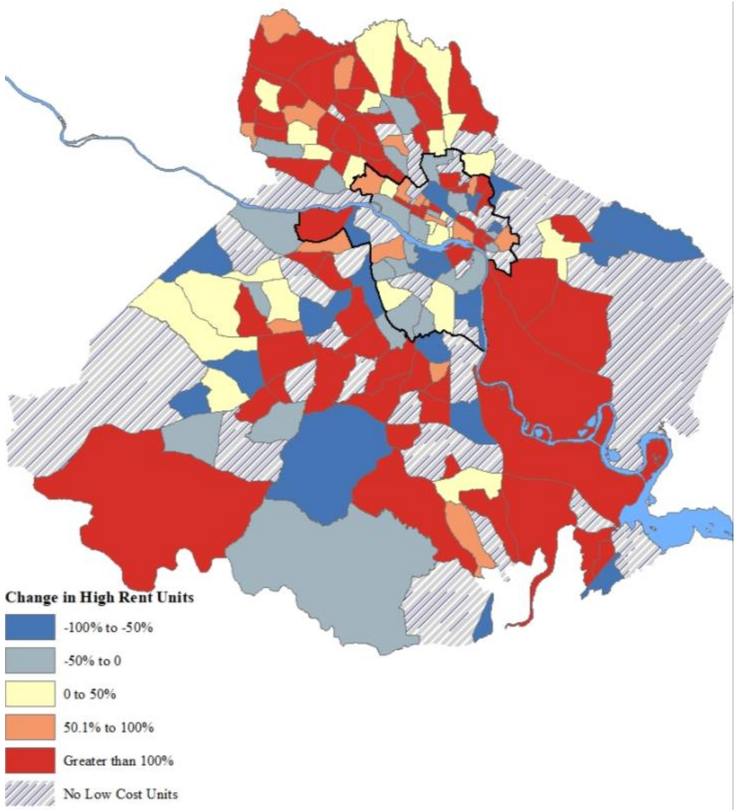
At the same time, there has been a growth in the number of two bedroom units renting for more than $1,500 per month across the region. Figure 4 shows the change in high cost rental housing across the region. The growth in these units is particularly pronounced in western Henrico County where development in the along the west Broad Street corridor has featured luxury multifamily housing. Similarly, development in the Manchester, Shockoe Bottom and Scotts Addition neighborhoods of the City of Richmond has been led by high cost multifamily housing that has pushed up the cost of housing. Meanwhile, the tracts with the largest losses of high cost units also experienced overall losses in rental housing across the board, suggesting that this was not growing affordability but a move toward owner-occupied housing through condominium conversion or owner-occupied single family housing.

IMPLICATIONS

The supply of affordable rental housing impacts the options low- and moderate-income households have and, ultimately, the ability to be resilient in the face of extra-budget expenses such as a car repair or medical bill. The state faces a deficit of almost 200,000 units of affordable housing for families earning less than half of the state median income, while the Richmond region faces a shortage of almost 29,000 units[5]. This suggests that a part of solution to addressing the eviction crisis facing the state and region should focus on the supply of affordable housing for households earning less the 50% of the Area Median Income to match the need. While the bulk of the focus of new development has been on units at 60% of 80% of AMI, as Table 2 suggests, the region is oversupplied, meaning that those who need affordable housing will require additional subsidy to avoid being rent burdened.

[5] National Low Income Housing Coalition. *Gap Report: Virginia. (2017). https://nlihc.org/gap/2016/va*

FIGURE 4: CHANGE IN HIGH RENT UNITS, 2010-2016



SOURCE: AMERICAN COMMUNITY SURVEY 5 YEAR ESTIMATES, 2010 AND 2016, US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

First, *a financial commitment to the preservation and development of affordable rental housing for households earning less than 50% of the Area Median Income should be a priority for the Commonwealth and local jurisdictions.* The Commonwealth has committed $5 million to its statewide trust fund, while Richmond has committed $1 million, and Henrico County has committed $2 million. Multifamily housing costs more than $200,000 per unit, meaning that collectively, these sources could create approximately 40 units of affordable housing. This research suggests that local jurisdictions and the state should increase their commitments to support affordable housing development with a dedicated funding stream.

Second, *the stewardship of public land for affordable housing should be a priority for local jurisdictions statewide.* Across the Commonwealth, public land can play a critical role in the development of affordable housing. Large-scale developments of public land should require affordable housing at or below 50% of the Area Median Income a part of the local disposition agreement. Additionally, in places like the City of Richmond, where a mission-driven land bank is operational, local governments should prioritize usage for affordable housing with long term covenants.

Finally, *land use should be realigned to allow for development of affordable rental housing.* Zoning and neighborhood opposition remain two of the highest barriers to affordable housing development in neighborhoods with access to high quality schools, jobs, transit and healthy food. Local governments should develop housing plans that address the preservation and creation of affordable housing at all income levels.