

Citywide Housing Analysis
Harrisonburg, Virginia

Prepared for:

Harrisonburg Redevelopment and Housing Authority

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Section I. Executive Summary

This study presents an in-depth analysis of the housing market in the City of Harrisonburg, Virginia. The purpose is to identify where there could be gaps between the housing needs of the population, the City's visions for future residential development, and the housing market's ability to meet those needs and visions at appropriate prices and rents, and quality of development. This has led to the recommendation of policies and actions that the Harrisonburg Redevelopment and Housing Authority (HRHA) might consider in order to close gaps between goals and objectives, and market realities. There are three chief areas in which conclusions have been drawn and recommendations made:

1. Traditional HRHA mandates for low and moderate income housing. Activities to help provide a safe and decent living environment for the City's residents is HRHA's main housing mission. For example, the HRHA Goals for 2004 suggest the types of housing activities the agency is currently targeting:
 - Initiate the master planning process for modernizing 100 public housing units. The strategy would also produce additional affordable sale or rental housing, to be used in the interim to house public housing residents during modernization.
 - Collaborate with Hope Community Builders (HCB) and Virginia Community Development Corporation for the construction of 25 to 30 new rental units under the federal Low Income Housing Tax Credit (LIHTC) program.
2. Support of planning and development activities for a better mix of housing in the City. This objective includes the traditional mandate, but can be extended to include ways HRHA might help the City in its efforts to attract more high income housing and appeal to new housing market niches, such as condominiums, age-restricted housing, and planned mix use/high amenity communities.
3. Downtown Renaissance. Considerations also include targeting HRHA housing activities to the downtown area in order to dovetail with and support the Downtown Renaissance program to revitalize and energize the area.

Review of Housing Issues

In original research undertaken in 2000/2001, S. Patz & Assoc. addressed three key housing issues confronting the City at that time. These issues, and brief statements of current status, are as follows:

- The loss of new construction of higher price new homes to sites in Rockingham County, while the City continues to attract only more modest single family detached and attached homes. This trend continues.
- Changing demographics due to employment demands in the poultry industry, attracting ethnic immigration. This is continuing in service industries, as well, despite some economic reverses in poultry packing.
- A large oversupply of off-campus student apartments. That oversupply has since been significantly absorbed by slowly increasing enrollments and other sources, such as out-of-City students and movement of students from non-student apartments.

Root Causes Identified

In the earlier study the consultants' analysis identified certain root causes for the direction the housing market in the City had taken. Three specific findings are cited below; a fourth point brings the analysis up to the present.

- Much of the inventory of vacant R-1 land for higher priced housing in the City was identified as poorly located in the western part of the City, posing development problems. Among those problems are topography and a limestone base. Adjacent industrial and commercial uses offer a negative image and increase development costs. Some of the best R-1 land has been used for development of modest attached homes.
- Developers reported higher development costs - from 10 percent to 15 percent -- in the City than occurs in the County due to stringent City requirements for infrastructure such as sidewalks, and curbs and gutters. Developers stated that the market will not permit the recouping of those costs through the further increasing of sales prices. It was not possible to adequately confirm these perceptions, which still exist.

- Much R-2 land is in effect serving the rental market, as economic conditions favor investor purchase of individual units for rental, especially duplexes and townhouses. The better R-2 sites have already been developed with a mix of moderately priced singles and towns, leaving little land available for higher priced units.
- Update: Virtually all net growth in the City since 2000 through 2005 has come from the ethnic and student populations. The apartment market over-expanded in the 1990's to serve those markets. That oversupply has since been largely absorbed, and the apartment vacancy rate has been forced down to virtual full occupancy (about two percent in conventional apartments, five percent for student apartments). The moderate income owner housing market continues serving primarily move-up and lateral-move buyers as before.

Emergent Issues

Other than new initiatives in the downtown, and lease-up of vacant oversupply in the rental market, housing market issues in Harrisonburg remain similar in kind to those of 2000, as sketched out above – impending impacts of continued immigration, and the inability to compete with the suburbs for the best quality housing in order to attract a more balanced income mix in the population, plus some uncertainty about future directions in student enrollments at JMU and possible housing market impacts. Updated strategies are needed to provide new perspectives on these issues.

Market Analysis

An objective for the City is to help support development of higher priced/higher rent housing to provide a better mix of housing types and income levels in the City. The paragraphs to follow summarize the potentials for more upscale housing in different market segments, based on the housing supply and demand trends and projections that have been assembled for this report.

Owner Housing

The projected trends in demands for owner housing cited below do not assume major new initiatives to stimulate high-end housing and could be conservative; note will be made concerning what impact those initiatives might have if successfully

implemented. A total of 850 new households is projected by 2010 with incomes over \$30,000 who could afford homes priced over \$100,000, as available.

- Trends in household income indicate 200 new owners by 2010 with incomes over \$76,000, who could afford upscale homes priced at \$200,000 or more. This is the level of deliveries achieved in this price range in the last five years for detached homes (very few attached homes). This is achievable under today's market conditions but would still represent only 30 percent to 40 percent of such units developed in the City-County urban-suburban area. Implementation of development incentives could increase this home market by another 50+ units.
- The greatest potential for expanding this high-end owner market is through the development of luxury townhomes, of which Vista Terrace is the current prototype. To date it is the only attached home development in this price range, and is targeted to two-income/few children households, including some empty nesters. While this is a traditional subdivision, to effectively expand this market will require use of planned development techniques, such as clustering, to create high amenity environments. Under those conditions an additional 50 to 100 such units could be supported.
- The future market for mid-priced detached homes and higher-priced townhomes – the \$150,000 to \$200,000 price range – is represented by 200 new owner households with incomes between \$53,000 and \$76,000. This is roughly the size of that market during the 2000 to 2004 period, when detached homes in this range were delivered at a ratio of two-to-one compared to attached homes. This should be the most “elastic” of the owner market segments, and will respond with more sales if more quality product is delivered.
- A niche within this market price range is the submarket for age-restricted housing, generally defined as for persons aged 55 or older with no children in the household. The current prototype in Harrisonburg is the Village @ Meadow Pointe, planned for 80 units at buildout, including a community center. A more upscale version of this product would be a gated community within a planned development, including hiking and biking trails and other amenities. Sixty units at the Village are yet to be developed; it is projected that the market could support a second such development by 2010, in addition to traditional homes in this price range (above).
- Projections of the lower priced owner housing market identify it as the largest segment, with demand for over 450 new homes priced between \$100,000 and \$150,000. Between 2000 and 2004 most of the units in this range were attached homes selling in the “affordable” range of \$100,000 to \$125,000. This is almost certain to change over time, with prices moving upward with likely increases in interest rates. This upward movement will constrain demand in this range somewhat, but this is likely to remain the strongest market-driven owner segment in the City as long as appropriate sites are available.

- The multi-family ownership market in Harrisonburg is very small, with most units ending up as rentals or student flats. The post-2000 Millwood Condominium (24 units) is mostly rental. Pre-2000 projects such as Hunters Ridge (80 units) are either rental or, as in the case of University Place (30 units), rental mixed with student-owned housing. Development of owner-occupied condominiums in this market will be exploratory, with little activity over the next few years. As 2010 approaches the timing could be right for professional condominiums in the downtown (see below).

Renter Housing

Without significant changes in market conditions for apartment construction, and/or in the City's predisposition toward additional rental housing, an increase of little more than 500 non-student new renters is projected for Harrisonburg by 2010.

- A problem is that the lack of new multi-family housing has been accompanied by investor purchase of attached homes as rental units; this constituted a significant proportion of the new rental units delivered between 2000 and 2004. Of the number of units added in that period, only one-half were multi-family apartments; one-quarter were in a townhouse development and one-quarter were scattered investor-owned rentals. Most of the multi-family rentals were subsidized, so that the market rate non-student units were primarily in attached units.
- Demand for market rate rental units by 2010 from non-student households with incomes over \$25,000 would be 250 households. About half of these households could afford only new one-bedroom units in the up-to-\$625 gross monthly rent range. The balance could afford market rents in new units of \$750 to \$1,000. This is not strong evidence of market demand for apartments, as the for-sale attached housing market has been supplying this quantity of rentals to date.
- Use of developer proffers for project amenity incentives could credit the stipulation of a maximum number of investor purchases of new attached housing units. This would stimulate the apartment market to help support home-ownership, if desired, particularly at the more affordable owner price ranges. If the prices of attached homes continue to escalate, as expected, a transfer demand of renters from investor units to rental apartments could occur unaided.
- Alternative household projections have been provided in this report, based primarily on speculation about increases in the immigrant population and demand for off-campus student housing. Trend projections foresee demand for 300 new off-campus student apartments. A margin of ± 100 units for low-high scenarios has been identified as reasonable based on alternative enrollment projections.

- The immigrant population would account for much of the projected trend and contribute to the large demand in the lower-middle price/rent ranges. If English as a Second Language (ESL) enrollments in the public schools equal or exceed 50 percent, there could be as many as 400 or more additional immigrant households in the City compared to the numbers given here. This eventuality will depend on the market's continued ability to deliver affordable housing units.

Housing Policy Recommendations

The consultants' previous study for HRHA provided recommendations for dealing with these issues. A summary of those recommendations follows, with a synopsis of policy changes that may or may not have been made to implement those recommendations.

Recapitulation and Progress

- Since the supply of good R-1 land is not likely to increase, the City needs to find ways to stimulate better utilization of the existing land inventory. A key measure is to work to reduce development costs by offering incentives - e.g., reduced infrastructure requirements, allowance of higher densities - in return for development of higher priced homes with more on-site amenities.
- As noted above, stimulation of niche demand markets is an alternative strategy, particularly the market for active adult, or "empty-nester", housing. Innovative techniques such as zero lot lines can facilitate the development of attractive "carriage" or "patio" homes in a gated community with extensive on-site amenities to attract buyers and support a higher home price.
- Utilization of the Low Income Housing Tax Credit (LIHTC) program was advocated to increase the stock of affordable rental housing. However, the higher rents in the tight apartment market, plus the favorable development financing situation, has reduced the attractiveness of the LIHTC program to developers. This should change as interest rates rise.

Emerging Issues and Recommendations

- The City remains hesitant to allow smaller lot development in currently R-1 areas or use of cluster zoning because of resident opposition. There is a pressing need for education - the public appears not completely sold on the Comprehensive Plan. Developers oppose creation of Home Owners Associations needed to implement cluster development, arguing that buyers do not want them.

- The City needs to recognize that the multi-family housing glut is over and there is a modest pent-up need for more multi-family rental units, including some demand for market rate units. The need for affordable rental units continues but is not growing any faster than it has in the past.
- The City should continue to work closely with JMU concerning housing as well as economic development, in the event that enrollment increases do eventuate. The construction of new dorms on planned expansion land is preferable to overloading the City's apartment inventory. Another boom-bust cycle should be avoided; what is needed is modest but steady multi-family housing growth.
- Downtown Renaissance: the housing objective is to encourage middle income/professional residency in the downtown through the provision of upscale condominiums and single family homes on in-fill lots. However, there is no market support for upper income condominiums downtown at the present time.

1. HRHA Traditional Mission

The paragraphs to follow summarize some of the more traditional projects HRHA is undertaking, and comment on housing needs identified in the market research.

HRHA Target Areas

HRHA's key project for the near term is to modernize its 100 public housing units, at Harrison Heights (Kelley And Tower streets) and Franklin Heights (Reservoir Street and Myers Avenue). The strategy is to purchase existing homes, renovate them, and use them for temporary housing for public housing residents during modernization. The production of the renovated homes would be a by-product of the modernization. New one-story units may need to be added for elderly tenants. As necessary as this modernization is, it may not create a significant net increase to the affordable housing stock, owner or renter. It is our recommendation that HRHA continue its efforts to find private developers of tax credit properties, preferably new construction, and to engage in such projects itself as soon as feasible.

- The City's subsidized housing meets 76 percent of low income need (actually, a slightly lower percentage, plus some residents in the moderate category). There may be 800 low income households without subsidized housing, and an increase of 200 low income households is expected by 2010. It will be a substantial challenge to meet much of this need, and it will likely require additional public housing units to achieve it, plus additional tax credit properties. The increase in the number of these households may not be new households to the City, but may include households with declining incomes, such as the elderly.
- The 350 units in existing tax credit properties in the City may support as much as one-third of the households in the \$23,000 to \$30,500 moderate income range. That would still leave potential need for several hundred units to meet present needs, plus growth of another 200 households by 2010. Increased ethnic immigration would aggravate this situation directly, and greatly increased JMU enrollments would have an indirect impact by constricting the supply of available apartments.
- Of the 1,700 households in the City in the \$30,500 to \$40,000 income range, an estimated 800 are renters. These households should be able to afford market rents. Those with incomes above \$35,000, say, 400 households, might qualify for home-ownership programs from incentive-based developments. There could be an equal number in the \$40,000 to \$45,000 income range. These are large numbers compared to annual targets in the 25 unit-range that might be pursued with local non-profits.

2. Comprehensive Plan Implementation

The proper environment for developing and marketing higher priced homes is a master-planned large tract. The Comprehensive Plan land inventory suggests that such suitable tracts do exist; most do not have sewer and water service, but it is generally in the vicinity. The tools such as cluster zoning and other incentives needed to implement a master plan property are not yet available but are advocated by the Comprehensive Plan. The objective is to stimulate the creation of high amenity/high value new communities in an economic fashion for better balance in the housing stock and income mix of the population.

Involvement in master-planning large-scale mixed-use development would not be considered a traditional mission for HRHA. As noted, inclusion of upper income housing may be controversial and perhaps not enabled under HRHA program statutes. If possible, such involvement should also combine some other public mission such as

rezoning and reuse of low density, underutilized business or industrial areas that might be considered blighted.

Other than overlay zoning, which requires ordinance amendment, the most effective way to provide incentives for quality development is through the proffer system. In Virginia it is standard procedure to provide guidelines for cash or in-kind contributions to defray the costs of public infrastructure for new development. Credit against such guidelines can be given for developer on-site as well as off-site amenity improvements, including design, materials and price/rent structure for the development. This allows the developer to provide a higher value, more competitive product at a favorable cost. Higher sales prices will result in greater fees and taxes for the City over time.

3. Downtown Revitalization

Harrisonburg's Plan for Downtown (2002) targets professional households for an emergent downtown housing market, particularly young singles and couples without children that would find condominium and luxury rental apartments amenable in a high amenity/high access environment.

The high demand for the apartments at the converted Metro Building on East Elizabeth Street attests to the existence of such a market. However, that is an off-center location without some of the negative influences of the present state of the center of town. While the success of the Metro Building certainly signals the existence of potential demand, such demand will turn into actual housing activity only if costs of provision of units can be brought into line with that demand. Demand at the luxury scale will remain latent until the downtown reaches a critical mass of new attractive but more modest units plus commercial and arts amenities.

- Thus, initial housing efforts must employ existing incentive programs and/or other subsidies, and be competitively priced. It should avoid additional concentrations of students and rent-subsidized housing.

- Non-residential development must proceed parallel with initial housing development; the Plan emphasizes activities associated with the arts. HRHA has been a major player in non-residential development downtown.
- With a modest beginning, and implementation of other downtown projects, the downtown should support 10 to 15 new upscale multi-family units annually over the next five years.

Artists' Studios. Initial transition periods for revitalization are extremely difficult to get underway. It is proposed that an interim solution is to combine the non-residential strategy proposed in the Plan of pursuing activities in the arts as the initial catalysts in the downtown, with the attraction of artists to downtown residences. Such residences would be new-construction studio lofts of the type successfully developed by Artspace of Michigan.

- The target market may not be affluent monetarily, but would be well-educated and skilled and would integrate well into a live-work environment downtown. The target market could include existing artisans in the City and the retention of students in the arts from area universities. Studies in other areas demonstrate that artists generally cannot afford the studio space they need. Artspace has been able to deliver studio space within living space at market or below market apartment rents. This market would be a transition to better paid professional and technical residents as jobs for those persons are more fully developed in the downtown.
- As designed by Artspace, the units themselves combine semi-unfinished expansive studio space, and loft living space, connected by interior stairs. Exteriors are attractive in appearance and are usually contemporary in design. The facility could include a retail or exhibition space for residents. One such facility could be developed for each of two years, followed by other more upscale residences in subsequent years. Artspace has developed such units as tax credit projects.

Available Properties. While a number of available vacant buildings have been identified in the Plan for their potentials for conversions, most would require upper floor renovations at costs not much less than new construction. Forty-nine vacant parcels in the downtown were identified in the Plan and should be considered for new construction in-fill projects making use of the various tax incentive programs now offered by the City in the downtown.

Section II. Demographic Characteristics

Housing demand factors for Harrisonburg and surrounding Rockingham County relate to demographic characteristics and changes in the population, including rates of change for different types of households, and their preferences and needs for housing. This section presents a detailed analysis of population and household changes in Harrisonburg and Rockingham County since 1990, with the goal of determining recent and emerging housing demands and needs in this City-County housing market area (as shown on Map A) that will have to be met by private and public actions in the marketplace. Those demands are derived from these data in following sections.

Population Growth and Change

The size of the population determines the number of people who are to be housed; the organization of the population into family and non-family households, with varying demographic characteristics, determines the types of housing that the population will be seeking. This section begins with a review of population trends in the Harrisonburg-Rockingham County market area, noting components of change in this area over time. The section then moves to a discussion of household trends, focusing on factors such as immigration and household composition. Estimates are given of the current population and households, as of Winter 2004/2005, and projections are made for population and households to the year 2010.

Summary of Trends and Projections

Projections documented in detail in this section of the report anticipate a relatively even rate of population growth in Harrisonburg from 2000 to 2010, continuing a similar trend between 1990 and 2000. As will be seen, different components of the population should exhibit quite varying patterns of change, but the net effect is one of steady increase. For example, Harrisonburg added almost 10,000 residents during the 1990's, and should add slightly more than 10,000 persons by 2010. The projections offered here for Harrisonburg are in the intermediate-to-high range of projections in the

City's recently revised Comprehensive Plan. The consultants have accepted the medium or "trend" projection for Rockingham County as given in the recently revised Comprehensive Plan for the County.

The total projected market area change of 22,000 persons could be distributed somewhat differently between the City and County from what is projected here, depending on the housing market's response to housing demands. The projections developed in this report present a similar picture to County plans of about 130,000 market area residents in 2010, as shown in the following chart:

<u>Population Trends and Projections, 1990-2010</u>				
	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
Harrisonburg	30,710	40,470	45,660	50,810
Rockingham Co.	<u>57,500</u>	<u>67,730</u>	<u>73,500</u>	<u>79,770</u>
Total Market Area	88,210	108,200	119,160	130,580

Summary of Population by Subgroup

Demographic dynamics over the past 15 years reflect changes in the populations of three main subgroups: two of those groups, the college student population, and the immigrant population, have been growing rapidly in Harrisonburg; the residual "resident" population has experienced some relocations as well as growth within the broader housing market area. Data on these subgroups in the City and County are summarized here and treated in more detail below.

- The student population in the City reflects primarily enrollments at James Madison University (JMU) and Eastern Mennonite University (EMU). Major university expansions occurred during the 1990's but are not officially planned to be duplicated during the rest of this decade (see later discussion).

- The immigrant population in Harrisonburg and environs has been attracted here primarily due to available semi-skilled and unskilled jobs in the poultry packing and service industries. The primary immigrant group is Hispanic, followed by Asian-American. Smaller communities, such as Slavs and Russians, are present in the City. In-migration of ethnic groups has proceeded at an extremely rapid rate.
- The resident population in the City is predominantly (over 90 percent) white, and less than 10 percent African American. There has been a small attrition in this population over the years, due both to a very low rate of natural increase and net out-migration to Rockingham County. Increased housing market activity in the County could influence the rate of that out-migration and the distribution of the population in the market area.

<u>Population By Subgroup, Harrisonburg, 1990-2010</u>				
	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
Resident Population	17,980	17,050	16,760	16,510
College Students	11,530	16,230	17,890	19,200
Ethnic Groups	<u>1,200</u>	<u>7,190</u>	<u>11,010</u>	<u>15,100</u>
Total Population	30,710	40,470	45,660	50,810

The student and ethnic population groups are relatively small components of the total population in Rockingham County and have been growing at slower rates than in Harrisonburg. The 3,300 college students include community colleges and similar public institutions, and 1,200 students at the private Bridgewater College. The ethnic population in the County in 1990 was nearly as large as that in the City but has not grown nearly so fast. That population tended to be located mostly in the County's smaller towns or in the older trailer parks that surround the City. Much of the overall population growth in Rockingham County has been in the suburbs around Harrisonburg.

<u>Population By Subgroup, Rockingham County, 1990-2010</u>				
<u>Rockingham County</u>	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
College Students	2,930	3,110	3,300	3,500
Ethnic Groups	1,000	3,620	4,710	5,950
Resident Population	<u>53,550</u>	<u>61,000</u>	<u>65,490</u>	<u>70,530</u>
Total Population	57,480	67,730	73,500	79,980

Subgroup Population Change By Period

The chart below breaks down population change since 1990 in Harrisonburg into five year periods by subgroup. These data illustrate dramatically the substantial growth in student and ethnic populations during the 1990's and the continued growth in the ethnic population that is projected to 2010, assuming that the job market holds firm to support this growth. The slow shrinkage in the resident population is expected to stay in the range of less than 1.0 percent per year. Total population growth should have peaked in the late-1990's at over 1,100 new residents per year, on average, but could well maintain a 1,000 + annual pace throughout this decade.

<u>Population Change By Subgroup, Harrisonburg, 1990-2010</u>				
<u>Decade</u>	<u>1990-1994</u>	<u>1995-1999</u>	<u>2000-2004</u>	<u>2005-2009</u>
Resident Population	-600	-340	-290	-250
College Students	2,110	2,600	1,660	1,310
Ethnic Groups	<u>2,610</u>	<u>3,380</u>	<u>3,820</u>	<u>4,090</u>
Total Population	4,120	5,640	5,190	5,150

Components of Change in Harrisonburg

In the early-1980's the City of Harrisonburg annexed a portion of adjacent Rockingham County, an action that has had an impact on population growth in the City since then, as that annexed area has proven to be one of the City's suburban growth areas. The pre-annexation part of the City grew by 5,300 residents, mostly through net in-migration. Annexation added another 5,700 persons to the City, with a consequent reduction in the County. A second significant factor in population growth was a sewer extension moratorium in the suburbanizing part of the County at the end of the 1990's; however, this halted population growth only temporarily.

Growth in the annexed area, plus the increases in the ethnic and student populations, led to the addition of 9,800 new residents in the 1990's. Both student and ethnic population growth have been migration-based. Overall, net in-migration accounted for 87 percent of all population increase in the 1980's (excluding annexation) and again in the 1990's. Population projections anticipate that the percent migration will subside somewhat as the ethnic population continues to become more established locally and begins to experience increases in population through new household formation and births.

Table 1. Components Of Population Change, Harrisonburg, Virginia, 1990-2010

<u>Decade</u>	<u>Change in Population</u>	<u>Natural Increase</u>	<u>% Natural Increase</u>	<u>Migra- tion</u>	<u>Percent Migration</u>
1990-1999	9,760	1,180	12.1%	8,580	87.9%
2000-2004 Estimated	5,190	900	17.3%	4,290	82.7%
2005-2009 Projected	5,150	960	18.6%	4,190	81.4%

Sources: City of Harrisonburg, Comprehensive Plan 2004 Update, S. Patz & Assoc.

College Student Population In Harrisonburg

James Madison University makes a formidable presence in Harrisonburg, both demographically and economically. The faculty is among the better paid segments of the working population in the City, but the university also provides many semi-skilled jobs in areas such as buildings and grounds maintenance, and food preparation. Student personal expenditures are a significant portion of the City's economic base, as are purchases of goods and services by the University.

JMU has historically been chronically short of on-campus housing. The inability to expand sufficiently led to a temporary halt in the enrollment growth in the 1990's, but new on-campus housing construction subsequently relieved this constraint. However,

the University still provides only 6,200 beds on campus for a total enrollment of over 16,000. As data will show, this has meant the development of a significant submarket of privately developed, owned and operated off-campus student housing. Economic and demographic impacts of the 1,500-student Eastern Mennonite University are much less than from JMU. Most student housing is provided by the University, in both residence halls and apartments.

Table 2. <u>Trends And Projections Of Fall Student Enrollment, JMU And EMU, Harrisonburg, Virginia, 1990-2010</u>					
	<u>1990</u>	<u>2000</u>	<u>Estimated 2005</u>	<u>Projected 2007</u>	<u>Projected 2010</u>
JMU Students 1/	10,400	15,000	16,400	17,000	17,600
EMU Students	<u>1,100</u>	<u>1,200</u>	<u>1,500</u>	<u>1,600</u>	<u>1,600</u>
Total Student Population	11,500	16,200	17,900	18,600	19,200
Total Population	30,700	40,500	45,700	47,800	50,800
% Total Students	37%	40%	39%	39%	38%
1/ Includes off-campus full-time equivalent students plus on-campus students.					
Sources: JMU, EMU, SCHEV Reports, S. Patz & Assoc.					

Harrisonburg's Ethnic Population

The steady in-migration of ethnic groups to Harrisonburg has placed increased demands on the City for schools, affordable housing, and other public services. The ethnic population is not to be viewed as a "burden" to the City. Their addition to the labor force helps enhance the economy and support economic expansion. These increased pressures for public services are seen as temporary, community-building needs, but they are real, and they do need to be addressed in a realistic and timely fashion. The paragraphs to follow review the history and characteristics of recent migrants the City.

Components of Ethnic Change

The term “ethnic groups” as applied in this study is broadly defined to include all Hispanics and all non-whites except African-Americans. This definition would cover 1,200 residents in the City in 1990 and 7,200 in 2000, according to the U.S. Census of Population. (This definition may double-count some persons in the “other race” category.) Clearly, this definition is far from perfect. For example, it would exclude foreign-born whites (e.g., Slavs and Russians). The census data suggest that as many as 780 additional foreign-born residents of Harrisonburg in 2000 (another 10 percent) could be considered immigrants, although there are established communities with large proportions of foreign-born who are long-term residents of the City.

Many of the demographic findings of this section derive from an analysis of immigration patterns in Harrisonburg and Rockingham County. The 2000 census of population provides data on the place of residence five years prior for the population in 2000 aged five or over. These data are available for the total population and for the Asian and Hispanic components of the ethnic subpopulation; they can be used to estimate population changes over the 1995 to 1999 period. Data on student enrollments in the English as a Second Language (ESL) program in the City’s public schools were used to estimate how changes in the immigrant population occurred over time, with the following results (see Table 3).

Housing opportunities for immigrants appear more limited in Rockingham County than in Harrisonburg, other than for older housing in the towns around the County and a handful of trailer parks ringing Harrisonburg. Job availability should not be a constraint in the County. Most likely housing availability did restrict the ethnic population in the County, although the numbers did triple over the 1990’s (compared to a six-fold increase in Harrisonburg). The ethnic population in Rockingham County, at 3,600 in 2000, was about half that in Harrisonburg. In 1990 the ethnic populations in each area were quite similar, 1,200 in Harrisonburg and 1,000 in the County. Thus, the City has clearly received the majority of the growth primarily because of housing availability.

Table 3. Components of Change for the Ethnic Population, Harrisonburg, 1990-2010

	<u>1990-1994</u>	<u>1995-1999</u>	<u>1990-1999</u>	<u>2000-2004</u>	<u>2005-2009</u>
Natural Increase 1/	220	420	640	640	710
Net Migration 1/	<u>2,390</u>	<u>2,960</u>	<u>5,350</u>	<u>3,180</u>	<u>3,380</u>
Total Change	2,610	3,380	5,990	3,820	4,090
Annual Average	520	680	600	760	820
Annual Avg. Migrat.	480	590	540	640	680
Pct. Natural Increase	8.5%	12.5%	10.7%	16.5%	17.5%

1/ Adjustments were made on data in Table 3 to account for portions of increase in population under five that is in-migration (partly double-counted) as opposed to natural increase.

Sources: 1990 and 2000 U.S. Census of Population, S. Patz & Assoc.

Ethnic Subgroups

The two largest ethnic groups in Harrisonburg are not only different demographically from the non-ethnic population, but they are also quite different from each other. These two groups are the Latino/Hispanic population (3,600 persons in 2000) and the Asian population (1,250 persons in 2000).

- More than one-quarter of the Asian population is in group quarters compared to only two percent of Hispanics. Presumably, these are almost entirely college students, since almost 60 percent of the Asian population is college-age (other college students may live in households). Similarly, almost half of the Asian population lives in non-family households.
- Fifty-five percent of all Hispanic households have children under age 18; only one-third of Asian households have a child under age 18, and most of those households have only one such child. This reflects the large proportion of Asian households that are student/non-family households.

Households and Group Quarters

The unit of population that occupies a dwelling (housing) unit is the household; that is, a household is defined as the persons occupying a dwelling unit. Thus, the links between the demographic characteristics of the population and the housing market are the characteristics of the persons making up households in the marketplace. Different types of households tend to demand/need different types of dwelling units. Typical examples of different kinds of households are family households, with at least some members related by blood or marriage, and non-family households, such as a group of students living together. Another important characteristic is the age of the head of the household. For example, seniors households – those with heads aged 65 or older – often need or can only afford different types of housing units from those for households with younger heads.

Not all persons live in households. A housing unit must provide separate living facilities for use only by all household members. Group quarters provide facilities on a collective basis only (e.g., a central dining facility) or not at all (e.g., college dormitories generally do not have dining halls). Institutions such as hospitals and correctional facilities are examples of group quarters. So are dormitories, group homes, boarding houses, assisted living facilities and nursing homes, and fraternities and sororities. The paragraphs to follow detail the household characteristics of the population in the City-County housing market area. Data on households provide the “demand side” of the housing market equation; the “supply side” is the delivery of housing units in the marketplace to meet demand, as addressed in Sections IV-VI.

Household and Group Quarters Population

A defining characteristic of the population in Harrisonburg is the large number of college students that live off-campus in private apartments, meaning that the student population includes a large number of student households as well as students in on-campus group quarters (dormitories). There are currently 7,600 college students in group quarters in Harrisonburg but 10,300 students living out in the community in private housing. Although they make up almost 90 percent of all persons in group

quarters, only 42 percent of college students in the City are in group quarters. College students represent 28 percent of all persons living in households in the City.

<u>Population in 2005</u>	<u>Number In Households</u>	<u>Number In Group Quarters</u>	<u>Percent In Group Quarters</u>
Non-student Population	26,770	1,000	3.6%
Student Population	<u>10,320</u>	<u>7,570</u>	42.3%
Total Population	37,090	8,570	18.8%
Percent Students	27.8%	88.3%	

It has been demonstrated that much of the recent population growth in Harrisonburg has come from the student population. Data in Table 4 show that almost 4,000 net new household residents in the City in the 1990's were students, out of a total of 8,500, or over 45 percent. The student share of new household residents dropped considerably after 2000, to 12 percent, with the addition of new dormitory beds at JMU. It is anticipated that the off-campus student share of residential growth will increase again to 18 percent of all new residents by 2010 unless another significant expansion of dormitory space takes place.

The chart above indicated that 3.6 percent of the non-student population in Harrisonburg lives in group quarters. In Rockingham County 2.1 percent of the population lives in group quarters. This includes 1.6 percent for the 1,200 students at Bridgewater College, and 0.5 percent for the non-student population.

Table 4. Household And Group Quarters Population, Harrisonburg And Rockingham County, Virginia, 1990-2010

	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
<u>Harrisonburg</u>				
Total Population	30,710	40,470	45,660	50,810
Household Population	<u>24,710</u>	<u>33,230</u>	<u>37,090</u>	<u>41,640</u>
Non-Student Population	18,710	23,360	26,770	30,510
Student Population	6,000	9,870	10,320	11,130
Group Quarters Population	<u>6,100</u>	<u>7,240</u>	<u>8,570</u>	<u>9,170</u>
Non-student Population	570	880	1,000	1,100
Student Population	5,530	6,360	7,570	8,070
Percent Group Quarters	19.9%	17.9%	18.8%	18.1%
<u>Rockingham County</u>				
Total Population	<u>57,480</u>	<u>67,730</u>	<u>73,500</u>	<u>79,770</u>
Household Population	55,780	66,170	71,960	78,170
Group Quarters Population	1,700	1,560	1,540	1,600
Percent Group Quarters	3.0%	2.3%	2.1%	2.0%

Source: 1990 and 2000 U.S. Census of Population, JMU and EMU, and S. Patz & Assoc.

Numbers of Households

In the analysis of household trends student households are separated from non-student households in order to isolate their different roles in the housing market. It is assumed that the average household size for students in households will stabilize at 2.9 persons per household. This is based on survey data on apartment complexes catering primarily to students (and reported in Section V), indicating how many beds (and bedrooms) are available in different sized units; the mix of these units determines the average size of student households. Apartments catering primarily to students are considerably larger, on average, than are traditional apartments; however, it is estimated that there are only enough of these specialized apartments to serve 70 percent of the student household population. The remainder (1,100 students) live in traditional rental apartments.

In most areas of the United States, the average household size – that is, the average number of persons per household – has been decreasing in recent decades. This has been the result of lower birth rates, which decrease the relative proportion of children in the population, and lower death rates, which increase the relative proportion of adults in the population, particularly seniors who may be survivors of the death of a spouse. Birth rates are lowered by factors such as later marriages and fewer children per woman in child-bearing years, and the death rate is lowered by increased life expectancy.

- Rockingham County has exhibited the typical pattern of declining average household size. There, the average has dropped from 2.69 in 1990 to 2.61 in 2000. The household projections presented in Table 5 assume stabilization of the average household size at about this level, so that future growth in the number of households will increase at about the same relative rate that the household population is projected to increase.
- In Harrisonburg, a counter-trend has occurred, with an increase in the average household size from 2.32 in 1990 to 2.39 in 2000, as the ethnic population and off-campus student households – both with larger than average household sizes -- continued to grow and the non-ethnic population declined very gradually. Overall, the average household size in the City should remain fairly stable or increase very slightly. It is estimated that 305 new households were added in the City annually after 2000, compared to an average of 285 per year during the 1990's. Growth of about 335 new households annually is projected to 2010 (Table 5).

Table 5. Non-Student And Student Households, Harrisonburg And Rockingham County, Virginia, 1990-2010

	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
<u>Harrisonburg</u>				
Household Population	24,710	33,230	37,090	41,640
Persons Per Household	2.40	2.53	2.53	2.55
Number of Households	10,310	13,160	14,680	16,360
Non-Student Population	18,710	23,360	26,770	30,510
Persons Per Household	2.32	2.39	2.41	2.44
Non-Student Households	8,060	9,760	11,120	12,520
Student Population	6,000	9,870	10,320	11,130
Persons Per Household	2.67	2.90	2.90	2.90
Student Households	2,250	3,400	3,560	3,840
<u>Rockingham County</u>				
Household Population	55,780	66,170	71,960	78,170
Persons Per Household	2.69	2.61	2.60	2.60
Number of Households	20,750	25,350	27,680	30,070
Source: 1990 and 2000 U.S. Census of Population and S. Patz & Assoc.				

Seniors Population

For the purposes of this study, the seniors population is defined as the population aged 65 years or older, and seniors households are those headed by a person who is a senior. Thus, a seniors household could contain younger persons. Increased longevity is the primary reason that there has been increase in the percent of the Harrisonburg population that is 65 years old or older. This percentage has risen from 8.9 percent in 1990 to 9.3 percent in 2000, as calculated over the entire population. However, when students and the ethnic populations (traditionally younger than the resident population) are excluded, seniors are 25.0 percent of all persons in the City.

Two major differences between seniors and non-seniors is that the average household size for seniors is much less, and the percentage of persons in group quarters is much greater. The greater percentage in group quarters results from increased institutionalization due to physical infirmities. Table 6 shows that seniors in

Harrisonburg are less than eight percent of all persons in group quarters, compared to 38 percent in Rockingham County. However, when students in group quarters are removed, seniors are 65 percent of the group quarters population. This is less than the 85 percent in Rockingham County (excluding 890 students in group quarters in Bridgewater), and reflects the location of correctional facilities in the City.

<u>Population in 2005</u>	<u>Number of Seniors in Group Quarters</u>	<u>Non-student Group Quarters Population</u>	<u>Percent Seniors</u>
Harrisonburg	650	1,000	65.0%
Rockingham Co.	<u>580</u>	<u>680</u>	85.0%
Market Area	1,230	1,680	73.2%

The smaller average household size for seniors results primarily from the absence of children from the household and the increased likelihood of loss of a family member through death, with the result that many seniors live alone. Table 6 indicates that one-third of the seniors in Harrisonburg live alone. In Rockingham County one-quarter of the seniors live alone.

Table 6. Seniors Population, Harrisonburg And Rockingham County, Virginia, 1990-2004

	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
<u>Harrisonburg</u>				
Total Population	30,710	40,470	45,660	50,810
Household Population	24,710	33,230	37,090	41,640
Group Quarters Population	6,000	7,340	8,570	9,170
Seniors Population 65+	2,700	3,750	4,340	4,880
Percent Seniors	8.8%	9.3%	9.5%	9.6%
Seniors in Households	2,210	3,170	3,690	4,170
Percent Seniors	9.0%	9.5%	9.9%	10.0%
Living Alone	970	1,080	1,220	1,330
Percent Living Alone	43.7%	34.3%	33.1%	31.9%
Seniors in Group Quarters	490	580	650	710
Seniors % of Group Qtrts	8.1%	7.9%	7.6%	7.7%
Percent of All Seniors	18.0%	15.5%	15.0%	14.6%
<u>Rockingham County</u>				
Total Population	57,480	67,730	73,500	79,770
Household Population	55,780	66,170	71,960	78,170
Group Quarters Population	1,700	1,560	1,540	1,600
Seniors Population 65+	7,200	9,410	10,580	11,810
Percent Seniors	12.5%	13.9%	14.4%	14.8%
Seniors in Households	6,770	8,870	10,000	11,180
Percent Seniors	12.1%	13.4%	13.9%	14.3%
Living Alone	1,790	2,280	2,530	2,790
Percent Living Alone	26.5%	25.7%	25.3%	25.0%
Seniors in Group Quarters	430	540	580	630
Seniors % of Group Qtrts	24.9%	34.1%	37.6%	39.2%
Percent of All Seniors	5.9%	5.7%	5.5%	5.3%
Source: 1990 and 2000 U.S. Census of Population, and S. Patz & Assoc.				

Seniors Households

Family households are by definition multi-person households, so a high proportion of seniors live in non-family households due to the fact that they live alone. Seniors non-family households thus also have much lower average household sizes than

do seniors family households. The average household size of seniors households is increasing, due to a greater proportion of seniors in family versus non-family households. (See Table 7.)

Table 7. <u>Seniors Households, Harrisonburg And Rockingham County, Virginia.</u> <u>1990-2010</u>				
	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
<u>Harrisonburg</u>				
Number of Households	10,310	13,160	14,680	16,360
Seniors 65+ Households	1,970	2,170	2,480	2,740
Ave. Household Size 1/	1.12	1.46	1.49	1.52
Percent Seniors	19.1%	16.5%	15.8%	15.5%
Living Alone	970	1,090	1,250	1,400
Not Living Alone	1,000	1,080	1,230	1,340
Percent Alone	49.2%	50.0%	50.5%	51.0%
<u>Rockingham County</u>				
Number of Households	20,750	25,350	27,680	30,070
Seniors 65+ Households	4,820	5,970	6,530	7,130
Ave. Household Size 1/	1.41	1.49	1.53	1.57
Percent Seniors	23.2%	23.5%	23.6%	23.7%
Living Alone	1,790	2,280	2,530	2,790
Not Living Alone	3,030	3,690	4,000	4,340
Percent Alone	37.2%	38.2%	38.7%	39.2%
1/ Number of seniors, not including persons under age 65 in seniors households, but including seniors in households with heads under the age of 65.				
Source: 1990 and 2000 U.S. Census of Population, and S. Patz & Assoc.				

The percent of all households in Harrisonburg that are seniors has been decreasing for the same reason that the seniors population as a percent of all persons in the City has been decreasing – the rapid growth in the ethnic and student household populations that have relatively fewer seniors than the rest of the population. By comparison, the seniors population and household percentages have remained very

stable in Rockingham County, at 13 percent to 14 percent of all persons and 24 percent of all households. (See Table 7.)

Summary

Table 8 summarizes the analysis of this section and relates it to a labor force analysis prepared separately. The table shows actual change in employment and demographics for the decade of the 1990's, the estimated change for the 2000 to 2005 period, and the projected change from 2005 to 2010. These projections should be regarded as trend projections; alternatives are presented below. Highlights from the table are as follows:

- During the 1990's an increase in the employment rate meant that the number of employed residents actually increased faster than the resident labor force (as the number of unemployed decreased) and was likely a factor in attracting new residents during the decade. It is estimated that the recent rise in the unemployment rate, although small, has kept the growth in employment among residents from keeping pace with the increase in the labor force (as new or other existing residents start looking for work). A stable employment rate is projected to 2010, so that growth in employment proceeds at the same rate as growth in the labor force.
- This employment level has supported growth in the population of about 1,000 persons per year, and this is expected to continue. Some components of change should shift, however. Unless university policy is changed substantially, the number of college students in Harrisonburg should increase at a greatly reduced rate (see below). The size of ethnic communities in the City could increase in their rate of growth, barring a substantial economic turndown. The seniors population is likely to continue at a constant annual rate of increase. The reduction in the resident population - non-student/non-ethnic - should subside to about 60 percent the amount during the 1990's.
- In some cases the pattern of changes for households of varying types mirrors that for the population: e.g., slowed growth for students, continued growth in the ethnic communities. In other cases, there could be distinct differences. The average size of seniors households increased dramatically over the 1990's, so that the addition of 1,000 seniors household residents was associated with an increase of only 200 new additional seniors households. Post-2000 it is expected that 1,100 seniors household residents will be associated with nearly 400 net additional seniors households. Changes in the pattern of some seniors living with younger relatives may be partly responsible for this change.

- Also, it is expected that with changes in household sizes and demographic mix, there will be a very slight increase in the number of “resident” (non-student/non-ethnic) households, despite the small net decline in the population in those households.

Table 8. <u>Actual, Estimated and Projected Changes in Employment, Labor Force, Population, and Households, by Type, Harrisonburg, Virginia 1990-2010</u>			
	<u>1990-2000</u>	<u>2000-2004</u>	<u>2005-2009</u>
Employed Residents	5,350	2,070	2,500
Total Labor Force	4,840	2,550	2,570
Total Population	9,760	5,190	5,150
Residual Population 1/ (Seniors 2/)	-940 (1,045)	-290 (594)	-250 (540)
College Students	4,710	1,660	1,310
Ethnic Groups	5,990	3,820	4,090
Total Households	2,850	1,520	1,680
Resident Households 1/ (Seniors Households 2/)	210 (201)	410 (307)	390 (266)
Student Households	1,150	160	280
Ethnic Households	1,490	950	1,010
1/ Includes non-ethnic seniors. 2/ Includes ethnic seniors.			
Source: S. Patz & Assoc.			

Alternative Demographic Projections

This section has presented demographic projections that should be considered trend projections, the continuation of economic and demographic conditions as they have developed over the past 15 years. It has been noted that an economic turndown

would likely dampen the growth projected here. On the other hand, it is possible that other factors could accelerate growth.

JMU Enrollment. State budget shortfalls severely limited enrollment increases at JMU in the past five years. After average annual increases of 500 students per year during the 1990's, post-2000 increases have been on the order less than 300 additional enrollments per year, with an estimated demand for only 160 additional student apartments between 2000 and 2004. Official JMU projections of 112 additional enrollments per year by 2008 suggest a need for no more than 200 new student apartments by 2010. The trend projections of this study anticipate increases of 240 new students annually, on average, and a total of about 300 new student apartments by 2010.

Statewide, there is a backlog of prospective applicants to the public university system, and there is the possibility of much greater enrollment increases over the next five years than have been projected here. It is possible that JMU could be directed to absorb as many as 4,000 to 5,000 new students - an increase of 25 percent to 30 percent in enrollment - over the next ten years. Assuming half of the growth is met on-campus, this could mean demand for off-campus student housing of from 300 units to 400 units by 2010.

Ethnic Population. A projection that has been debated among public school educators in Harrisonburg is the prospect that by 2010 ESL students will make up one-half of all public school enrollment in the City. The trend projections (of 15,000 ethnic persons) of this study support the likelihood of that outcome. Non-ESL enrollments have dropped by nearly 500 students since 2000, such that ESL students now account for one-third of all enrollments. Trend growth in the ethnic population and continued decline in the resident enrollment would produce fifty-percent ESL enrollment by 2010. Alternatives of 45 percent ESL to 55 percent ESL would be associated with a range of projections of the ethnic population of approximately 14,000 persons to 16,000 persons by 2010.

Section III. Household Income and Tenure

The previous section focused on the numbers of new households in the housing market recently, by type of household, and those expected to be in the housing market in the near future. This section addresses the income levels of those households that will permit - or hinder - their finding appropriate dwellings in the private housing market, indicating possible need for public intervention. The analysis provides estimates of income levels for different segments of the population, including students, seniors, and all other households. In analyzing housing demand for housing policy issues, it will be important to separate out students from the other population groups. The analysis also considers trends in households by tenure, owner and renter.

Household Income

The ability to afford safe and decent housing depends on household income. The first paragraphs of the section analyze income characteristics for households, including seniors. Income characteristics for owner and renter households will be presented in subsequent paragraphs.

Trends in Household Income By Range

Between 1990 and 2000, when a large number of apartments were built, the proportions of all households in income ranges under \$30,000 increased significantly, from 40 percent of all households to 45 percent of all households. However, since 2000 very little multi-family housing has been constructed, and the proportion of households with income under \$30,000 is estimated to have decreased slightly. The surge of new single family home construction since 2000 is believed to have reversed a declining trend of households in the middle income ranges. However, median and average household income levels continue to decline, as shown in Table 9.

The proportions of households in income ranges of about \$50,000 to \$115,000 have generally been decreasing (income ranges of about \$115,000 or more have

increased slightly). These data are shown in Table 9. It is estimated that there will have been 500 additional households with incomes under \$30,000 between 2000 and 2005, and 750 more such households by 2010. The projections to 2010 assume the same favorable housing market conditions (e.g., low interest rates) but continued constraints on land availability in the City (see discussions in subsequent sections).

Table 9. Number Of Households By Income Range, Harrisonburg, Virginia, 1990-2010 (constant \$2004)

<u>Income Range</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>		<u>2010</u>	
	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>
\$0 to \$15,299	1,930	18.8%	2,890	22.0%	2,970	20.2%	3,100	19.0%
\$15,300-\$22,749	1,210	11.7%	1,560	11.9%	1,760	12.0%	1,970	12.0%
\$22,750-\$30,499	940	9.1%	1,500	11.4%	1,700	11.6%	1,910	11.7%
\$30,500-\$53,499	2,840	27.5%	3,230	24.6%	3,850	26.2%	4,530	27.7%
\$53,500-\$76,399	1,600	15.5%	1,760	13.3%	1,970	13.4%	2,200	13.4%
\$76,400-\$114,149	1,130	11.0%	1,300	9.8%	1,390	9.5%	1,490	9.1%
\$114,150 & Over	<u>660</u>	<u>6.4%</u>	<u>920</u>	<u>7.0%</u>	<u>1,040</u>	<u>7.1%</u>	<u>1,160</u>	<u>7.1%</u>
Total	10,310	100.0%	13,160	100.0%	14,680	100.0%	16,360	100.0%
Median Income	\$38,700		\$34,100		\$33,600		NA	
Average Income	\$50,000		\$48,900		\$47,900		NA	

Sources: 1990 and 2000 U.S. Census of Population, S. Patz & Assoc., Inc.

Note: The rather unusual income ranges shown in this report occur when adjusting past census data for the rate of inflation.

Student Household Income

A major focus of this market study is the housing needs of lower and moderate income households in Harrisonburg. It turns out that a large proportion of those households in the City are in fact households of college students who are renters, so that in order to address the housing needs of the non-student population it is quite important to estimate - and remove - that proportion of the low and moderate income household

population that is made up of college students. In most cases student income is not necessarily student-earned income but is available to the student from family or stipends for living expenses such as housing.

The method by which this is done was to assemble information on student apartments and rents that will be presented subsequently in the report. The second step was to compare these data with rental data and rent-income relationships for all renters, from the census. The third step was to compare data on student households with data on all households with heads under 25 years of age, from the census. From these steps a “composite” breakdown of student households by income was derived. The data on rents and on young households, as outlined above, were used as a basis for estimating the numbers of student households in each income range category shown in Table 10. The table summarizes the estimate of student households by income for 2000 and 2005, plus a projection of student households by income category to 2010, using the same percent distribution of households.

Table 10. <u>Number of Student Households By Income Range, Harrisonburg, Virginia, 2000-2010 (constant \$2004)</u>				
<u>Income Range</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>Percent</u>
\$0 to \$15,299	1,260	1,320	1,420	37.0%
\$15,300 to \$22,749	640	670	730	19.0%
\$22,750 to \$30,499	550	580	620	16.2%
\$30,500 to \$53,499	720	750	810	21.1%
\$53,500 to \$76,399	190	200	220	5.6%
\$76,400 and Over	<u>40</u>	<u>40</u>	<u>40</u>	<u>1.1%</u>
Total	3,400	3,560	3,840	100.0%

Source: S. Patz & Assoc., Inc.

Ethnic Household Income

Ethnic households make up a disproportionately large portion (54 percent) of the lower-moderate income group – in the income range between \$22,750 and 30,500 – excluding student households, as shown in Table 11. Their shares of the lower income ranges are slightly above their overall share of all non-student households, about 29

percent of households with incomes under \$22,750, compared to 23 percent overall. Correspondingly, ethnic households make up only 16.5 percent of the households with incomes over \$30,500. It can be concluded that the ethnic immigration has impacted the moderate income group substantially, but the lower income groups less so.

Table 11. Number Of Households By Income Range, Seniors, Ethnicity, Students, and Residents, Harrisonburg, Virginia, 2005

<u>Income Range</u>	<u>Total Households</u>		<u>Student H'holds</u>	<u>Non-student Households</u>		
	<u>Number</u>	<u>Percent</u>		<u>Total</u>	<u>Ethnic</u>	<u>Pct. 1/</u>
\$0 to \$15,299	2,970	20.2%	1,320	1,650	510	30.9%
\$15,300 to \$22,749	1,760	12.0%	670	1,090	280	25.5%
\$22,750 to \$30,499	1,700	11.6%	580	1,120	610	54.2%
\$30,500 to \$53,499	3,850	26.2%	750	3,100	560	18.0%
\$53,500 to \$76,399	1,970	13.4%	200	1,770	340	19.2%
\$76,400 to \$114,149	1,400	9.5%	40	1,360	220	16.5%
\$114,150 and Over	<u>1,030</u>	<u>7.1%</u>	<u>0</u>	<u>1,030</u>	<u>80</u>	<u>7.5%</u>
Total	14,680	100.0%	3,560	11,120	2,600	23.4%

1/ Ethnic households as percents of other households, by income range.

Source: 2000 U.S. Census of Population, S. Patz & Assoc.

Seniors Household Income

The percentages of seniors in the lower income categories (less than \$23,000) have been declining, as have the percentages in the categories between \$53,000 and \$76,000. Relative growth in the \$23,000 to \$53,000 range has increased. It is estimated that there were only 70 additional seniors households with incomes under \$23,000 between 2000 and 2005, and that there will be 70 more by 2010. Today, there are nearly 950 seniors households with incomes under \$23,000 (see Table 12). This is almost 35 percent of the total of 2,700 non-student households with incomes in this range. This compares with the fact that seniors households make up only 17 percent of all households in Harrisonburg. Otherwise, seniors households in Harrisonburg have relatively high average incomes.

Table 12. Number Of Seniors Households By Income Range, Harrisonburg, Virginia, 1990-2010 (constant \$2004)

<u>Income Range</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>		<u>2010</u>	
	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>	<u>No.</u>	<u>Pct</u>
\$0 to \$15,299	600	30.3%	560	25.9%	600	24.2%	630	23.0%
\$15,300-\$22,749	250	12.5%	310	14.3%	340	13.9%	370	13.6%
\$22,750-\$30,499	200	10.1%	230	10.5%	270	11.0%	310	11.4%
\$30,500-\$53,499	430	22.1%	550	25.4%	600	24.2%	640	23.5%
\$53,500-\$76,399	300	15.5%	210	9.7%	250	10.0%	280	10.2%
\$76,400-\$114,199	140	7.0%	180	8.1%	220	8.8%	260	9.3%
\$114,200 & Over	<u>50</u>	<u>2.5%</u>	<u>130</u>	<u>6.1%</u>	<u>200</u>	<u>7.9%</u>	<u>250</u>	<u>9.0%</u>
Total	1,970	100.0%	2,170	100.0%	2,480	100.0%	2,740	100.0%

Source: 1990 and 2000 U. S. Census of Population, S. Patz & Assoc., Inc.

Income Summary

Table 13 summarizes the estimation of income distributions for all households, student households, residents' households (all households except student households and ethnic households), seniors households (including ethnic households), and ethnic households (including ethnic seniors).

<u>Table 13. Number Of Households By Income Range, Seniors, Ethnicity, Students, and Residents, Harrisonburg, Virginia, 2005</u>					
<u>Income Range</u>	<u>Total</u>	<u>Students</u>	<u>Residents 1/</u>	<u>Ethnic</u>	<u>Seniors</u>
\$0 to \$15,299	2,970	1,320	1,140	510	600
\$15,300 to \$22,749	1,760	670	810	280	340
\$22,750 to \$30,499	1,700	580	510	610	270
\$30,500 to \$53,499	3,850	750	2,540	560	600
\$53,500 to \$76,399	1,970	200	1,430	340	250
\$76,400 to \$114,149	1,390	40	1,130	220	220
\$114,150 and Over	<u>1,040</u>	<u>0</u>	<u>960</u>	<u>80</u>	<u>200</u>
Total	14,680	3,560	8,520	2,600	2,480

1/ All non-student/non-ethnic households including seniors.

Source: 2000 U.S. Census of Population, S. Patz & Assoc.

Tenure by Household Income

The objective of the analysis for the rest of this section is the identification of trends to 2005 in the distribution of owner and renter households. Data are available for renters for 1990 and 2000; these data will be adjusted to remove student households, all of which are presumed to be renter households (this is not literally true, as there are some student condominium units). Renter households will be deducted from all households to give owner households. Table 9 at the outset of this section presented trends and projections for all households in the City that is the basis for the break-out by tenure.

Housing Tenure

The 1990’s were a period of active development of multi-family units in Harrisonburg, almost exclusively rental apartments, and the proportions of households by tenure reflect that activity. For example, seven out of ten net new households in the City over the decade were renters. Development of student housing continued in the first few years of this decade, creating a total over-supply of student beds that S. Patz & Assoc. estimated to number 1,700 in 2001. That over-supply has been greatly reduced, leaving a current vacancy of about five percent in student housing (in terms of units):

<u>Table 14. Absorption of Over-supply of Student Housing, Harrisonburg, Virginia, 2001-2005</u>	
	Amount
Over-supply of Student Beds, 2001	1,700
Number of Vacant Units @ 4.0 beds/unit	425
Less: Increase in Student Households 1/	-160
Less: Transfers from Non-student Units 2/	<u>-145</u>
Residual, Vacant Units 2005	120
Total Student Units, 2005 3/	2,429
Percent Vacant 2005	5.0%
<p>1/ See Section II. 2/ May include some students from Bridgewater College. 3/ See Section V.</p> <p>Source: S. Patz & Assoc., Inc., Market Analysis: City-Wide Housing Trends, Harrisonburg, Virginia, 2000</p>	

During the post-2000 period the oversupply of rental units was so great that the City acted to discourage the further development of multi-family rental units. After 2000, therefore, the pendulum swung back in the other direction, and two out of every

three new households in the City were owners. These data are summarized in the chart below and are documented in subsequent sections on recent housing activity.

<u>Tenure Status</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total All Households	<u>10,310</u>	<u>100%</u>	<u>13,130</u>	<u>100%</u>	<u>14,680</u>	<u>100%</u>
Owner-Households	4,340	42%	5,120	39%	6,070	41%
Renter-Households	5,970	58%	8,010	61%	8,610	59%

Owner Households

Numbers of households by tenure reflect net changes over time, and thus they merge increases in households due to new housing construction by price range (and income range of the buyer) and changes within the existing household population, such as changes in income due to life cycle changes. For example, in the 1990's there appears to have been a large increase in the number of owner households in the lowest income ranges. Since housing purchase by these households seems unlikely, it is most likely that this is due to factors such as decreases in income for aging households due to retirement.

The estimates contained in Table 15 reflect findings on recent housing construction as well as expected losses in the housing stock. These data are for owner-occupied units (i.e., owner households); investor-owned units are excluded. After 2000, it is estimated that there were a significant number of units removed from the owner inventory at the lowest market value (and owner income) levels, reversing the trend of the 1990's. (Income data by tenure are not exact, and there may be some statistical peculiarities that are not easily explained.)

Table 15. Number Of Owner Households By Income Range, Harrisonburg, Virginia, 1990-2005 (constant \$2004)

<u>Income Range</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$0 to \$15,299	420	9.6%	720	14.0%	590	9.8%
\$15,300 to \$22,749	270	6.3%	180	3.4%	140	2.3%
\$22,750 to \$30,499	140	3.3%	340	6.6%	440	7.2%
\$30,500 to \$53,499	1,120	25.6%	1,200	23.5%	1,720	28.3%
\$53,500 to \$76,399	990	22.7%	940	18.4%	1,200	19.8%
\$76,400 And Over	<u>1,420</u>	<u>32.5%</u>	<u>1,750</u>	<u>34.2%</u>	<u>1,980</u>	<u>32.6%</u>
Total	4,360	100.0%	5,130	100.0%	6,070	100.0%

Source: 1990 and 2000 U.S. Census of Population, S. Patz & Assoc., Inc.

- As expected, most owners are in the upper income ranges – 80 percent have incomes of \$30,000 or more, and one-third have incomes over \$75,000. As noted, new housing construction and estimated loss of some low-value homes to conversions since 2000, has reversed the downward trend of the 1990's, when the percentage over \$30,000 declining from 81 percent in 1990, to 76 percent in 2000.
- There has been an accompanying dramatic increase in the proportion of owners in the \$30,000 to \$53,000 income range, due largely to increased availability of attached housing (see the housing market analysis in following sections). This now represents 28 percent of all owner households, up from 24 percent in 2000.

Renter Households

Data on income ranges for renter households in Harrisonburg are available from the census for 1990 and 2000; the data have been standardized in constant 2004 dollars for the income ranges and projected to 2005. The estimated numbers of new renter households by 2005 substantially exceeds the numbers of new multi-family rental apartments built between 2000 and 2004 because many for-sale attached units (townhouses) have been purchased as rental investor units, and it is likely that there have also been other conversions of older owner units to rental status.

A deduction of student-headed renter households from all renter households is undertaken in Table 16, based on the estimates of student households by income range that was presented in Table 10. Overall, student households make up 42 percent of all renter households, assuming that most off-campus student households are renters. Student households account for about 50 percent of all renter households with incomes under \$30,000, and 30 percent of all renter households with incomes over \$30,000. Thus, non-student renter households have relatively fewer low and moderate income renter households - those with incomes under \$30,000 (53 percent of non-student renters) - than students households (72 percent of student renters).

Table 16. Number Of Non-student Renter Households By Income Range, Harrisonburg, Virginia, 1990-2005 (constant \$2004)

<u>Income Range</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$0 to \$15,299	690	18.5%	910	19.9%	1,070	21.1%
\$15,300 to \$22,749	500	13.6%	740	16.2%	960	19.0%
\$22,750 to \$30,499	440	11.8%	610	13.2%	690	13.6%
\$30,500 to \$53,499	1,250	33.7%	1,304	28.4%	1,370	27.2%
\$53,500 to \$76,399	480	13.0%	620	13.4%	560	11.1%
\$76,400 And Over	<u>350</u>	<u>9.4%</u>	<u>410</u>	<u>8.9%</u>	<u>400</u>	<u>8.0%</u>
Total	3,710	100.0%	4,590	100.0%	5,050	100.0%

Source: 1990 and 2000 U.S. Census of Population, S. Patz & Assoc., Inc.

Summary

This section has developed trend data and projections on housing demand in Harrisonburg, based on numbers of households by household income range, that will be applied in the concluding section to analyze the ability of different population groups to afford new housing. As would be expected, renter households and households headed by a senior generally have greater proportions of households in the lower and moderate income brackets than do other households. Ethnic households were shown to be

especially concentrated in the moderate income range, but not especially concentrated in the lowest income ranges.

Projections By Tenure

Projections of the numbers of households by income and tenure are difficult, since so much depends on housing market conditions. Those conditions may depend on local factors, such as land availability and costs of local labor, and non-local factors, such as interest rates and costs of materials. Tables 17 presents what should be interpreted as trend projections for households in Harrisonburg by income and tenure to 2010. The mix of households by income range is based on past trends for owners and for non-student renters. The owner-renter mix is kept at about the estimated 2005 level. This implies proportional increase in rental units, which was not the case for the 2000-2005 period. However, it is believed that a pent-up demand for rental units has developed in the City. Continued declines in the number of owner households in the lowest income range is projected.

Table 17. <u>Number Of Owner and Non-student Renter Households By Income Range, Harrisonburg, Virginia, 2005-2010 (constant \$2004)</u>						
<u>Income Range</u>	<u>Owner Households</u>			<u>Non-student Renters</u>		
	<u>2010</u>	<u>Change</u>	<u>2005-2009</u>	<u>2010</u>	<u>Change</u>	<u>2005-2009</u>
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>	
\$0 to \$15,299	520	7.5%	-80	1,160	21.1%	110
\$15,300 to \$22,749	170	2.4%	30	1,080	19.6%	130
\$22,750 to \$30,499	500	7.0%	80	820	14.9%	140
\$30,500 to \$53,499	2,230	31.8%	470	1,460	26.5%	100
\$53,500 to \$76,399	1,400	20.0%	190	580	10.5%	30
\$76,400 And Over	<u>2,200</u>	<u>31.3%</u>	<u>190</u>	<u>410</u>	<u>7.4%</u>	<u>10</u>
Total	7,020	100.0%	880	5,510	100.0%	520
Source: 1990 and 2000 U.S. Census of Population, S. Patz & Assoc., Inc.						

Section IV. Recent Housing Activity

This section presents detail on sales and development activity in competitive subdivisions in Harrisonburg and the adjacent suburban part of Rockingham County. These data are from primary survey research representing field and telephone interviews with developers and brokers. Not all subdivisions are included in the survey reports, such as those with only a few units or infill activity, nor is the development of scattered custom homes. This survey was completed in the fall of 2004.

Harrisonburg Home Sales Activity

The presentation to follow will detail development and sales activity for single family homes (including lots) in Harrisonburg, both detached and attached. Information on specific subdivisions will be presented. This will be followed by similar treatment of recent housing activity in suburban Rockingham County. The next section will address rental apartments, student apartments, condominiums, and subsidized housing.

Active Single Family Subdivisions

Four competitive subdivisions have been actively selling single family detached homes in Harrisonburg since 2000 (additional infill in existing subdivisions will be noted, as well, in this section). These are Springfield Village, Brayton, Parklawn, and Westfield (see Table 18). Active sections of these subdivisions contained 168 lots, of which 115 have been developed with homes and sold (or are under contract), and 53 represent unsold lot inventory. These subdivisions are largely sold out, except for Sections 7 and 8 at Westfield, which were approved in May 2004. The 25 units at Springfield Village were priced at \$125,000 or below and could be considered affordable. Of the remainder, half were priced between \$125,000 and \$150,000, and half between \$150,000 and \$210,000.

There are also 38 sales for custom homes in these subdivisions. While this survey accounts for most homes sold for less than \$150,000, there are estimated to be several hundred sales of higher priced custom or infill homes in the City that are not included; these are accounted for in the inventory data of Section VI and noted briefly below. Descriptions of the recently active, competitive subdivisions follow below. Their locations are shown on Map B.

- **Springfield Village.** This final section of the subdivision was approved by the City in 2000 and developed soon thereafter. All 25 homes have been sold. No additional sections have been developed or are planned. Base prices here ranged from \$118,000 to \$126,000. Homes are three bedrooms with two baths, for total living space of 1,200 square feet to 1,700 square feet. Units are of varied styles, including colonials and some homes rustic in appearance with wood siding. Most feature one-car garages. The location is on Springfield Drive off Port Republic Road at the far southern edge of the City.
- **Brayton.** This subdivision – located in the southwestern part of Harrisonburg off Pleasant Hill Road -- has been selling since 2001. This is a hillside/hilltop site. The initial 22 homes, in Sections 1 and 2, were sold within an average of 75 days on the market. Section 3, with 11 lots, is under development. Lot sales were in the \$32,000 to \$37,000 range, and base home prices were in the \$125,000 to \$193,000 range. Homes are ranch style, with basements and many with double garages. Living space is in the 1,200 square foot to 1,800 square foot range. Exteriors are vinyl siding, some with brick or stone, with porches and/or decks.
- **Parklawn.** The site of this subdivision is off West Market Street near the western edge of the City. The units feature siding over brick fronts, with one- and two-car garages. Some units have decks or screened porches. This subdivision has developed two sections, of 15 homes and 18 homes, respectively, since 2000. Sales in each section have totaled 15 units, leaving three units for sale in the fall of 2004. No additional sections are planned for Parklawn.
- **Westfield.** Westfield is also located off West Market Street, opposite the site of Parklawn. Three sections have been active here since 2000, including both detached and attached homes. Sixteen detached units were approved for Section 5 in 2000, and 53 units were approved for Sections 7 and 8 in 2004. Section 5 homes were priced in the \$130,000 to \$150,000 range (base price), and the recent homes in the \$150,000 to \$175,000 range. The detached homes include both “modular” units, and “panel built” units with walls and trusses constructed off-site. The units include split-level ranch-style homes, some with garages.

Table 18. Characteristics of Active Single Family Detached Subdivisions, Harrisonburg, Virginia, 2000-2004

<u>Subdivision (Map B Number)</u>	<u>Date Approved</u>	<u>Number of Units Approved</u>	<u>Units Sold/Under Contract</u>	<u>Remaining Unsold Inventory</u>	<u>Sales Price Range</u>
Springfield (1)	Jul-00	25	25	0	\$117,700-\$118,900 \$121,700-\$125,900
Brayton 1/ (2)					
Section 1	Jul-00	11	11	0	\$124,900-\$139,900
Section 2	Jun-02	<u>11</u>	<u>11</u>	0	\$142,900-\$192,500
Total		22	22	0	
Parklawn (3)					
Section 7	Mar-02	15	15	0	\$130,000-\$200,000
Section 8	NA	<u>18</u>	<u>15</u>	<u>3</u>	\$149,900-\$209,900
Total		33	30	3	
Westfield (4)					
Section 5	Oct-00	16	16	0	\$130,000-\$150,000
West Portion	Apr-00	19	19	0	NA
Sections 7-8	May-04	<u>53</u>	<u>3</u>	<u>50</u>	\$149,900-\$174,900
Total		88	38	50	
Total		<u>168</u>	<u>115</u>	<u>53</u>	

1/ A third section is planned for 11 units.

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

Table 19 provides partial substantiation of the impact of speculative development in subdivisions. The table shows recent lot sales in more mature subdivisions. There have been 137 lots sales of which approximately 65 are thought to have been built with homes since 2000. Prices for the one-third acre lots have been in the \$30,000 to \$50,000 range, with prices for the two-thirds acre lots at Myers Estates at \$70,000. The 32 lots at Greensprings are being sold as acreage, the others as finished lots. The four subdivisions are (see also Map B):

- **Myers Estates**. The inventory at Myers Estates consists of scattered in-fill lots, with very few remaining among previously constructed sections of the subdivision. The site of the subdivision is on Myers Avenue several blocks south of South Main Street. This prosperous close-in location in Harrisonburg is near both JMU and the downtown. These are the largest, most expensive lots among those subdivisions shown in Table 39.
- **Greensprings**. This subdivision is situated near Interstate I-81 off Ramblewood Road in the far south part of Harrisonburg. These are smaller units on a hilltop site. Homes are contemporary in style, with siding over brick. Some units have one- or two-car garages. It is estimated that 75% of the lots sold have speculative houses built on them. List prices for speculative houses sold in 2003 ranged from \$142,500 to \$219,900.
- **Hampshire Estates**. Hampshire Estates is located at the western edge of Harrisonburg, near Parklawn and Westfield. This is a pleasant hilltop site, with larger homes than at the nearby subdivisions, including some all-brick models. It is estimated that 60% of the lots sold have speculative houses built. The list prices for re-sales at the subdivision in 2003 ranged from \$146,500 to \$266,300. The project was initially approved in 1998.
- **Stone Spring Village**. This subdivision is located off Peach Grove Avenue (the extension of Neff Avenue in the southwestern part of the City) between Port Republic and Stone Spring roads. Approximately 90% of the lots sold here have speculative houses constructed upon them. The hilltop site is nearly built out although much room for expansion is available at this location on the rural fringe. List prices for speculative houses here sold in 2003 ranged from \$189,900 to \$229,900. The project was approved in May 1998.

Table 19. Characteristics of Lot Sales In Active Single Family Detached Subdivisions, Harrisonburg, Virginia, 2000-2004

<u>Subdivision (Map B Number)</u>	<u>Lot Type</u>	<u>Number Of Lots Approved</u>	<u>Lots Sold/ Under Contract</u>	<u>Unsold Inven- tory</u>	<u>Lot Size (acres)</u>	<u>Lot Price</u>
Myers Estates (5)	SFD	11	6	5	0.67	\$69,900
Greensprings (6)	SFD					
Section 1		28	28	0	0.25-0.33	\$39,000 -
Section 2		28	26	2	0.25-0.33	\$49,000
Hampshire Est. (7)	SFD	32	32	0	0.25-0.32	\$32,500-\$34,900
Stone Spr. Vg. (8)						
Section 2	SFD	<u>46</u>	<u>45</u>	<u>1</u>	NA	\$39,500
	Total	145	137	8		

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

The lots indicated in Table 19 include both speculatively built and custom built homes; the subdivision descriptions detail the estimated proportions of each subdivision that have been built with homes, and the results for the custom homes are tallied in Table 20. The table adds speculatively build homes and custom homes in subdivisions, for a total of 153 new single family detached homes sold. As the table indicates, most of the custom homes built on these lots are imputed to have sales prices of \$150,000 to over \$250,000, based on lists prices in 2003.

Table 20. Characteristics of Homes and Lot Sales In Active Single Family Detached Subdivisions, By Estimated Home Price Range, Harrisonburg, Virginia, 2000-2004

<u>Subdivision</u>	<u>Number of Units Built</u>	<u>Number Sold/Under Contract</u>	<u>Unsold Standing Inventory</u>	<u>(Estimated) Sale Price Range</u>
<u>Built Homes</u>				
Springfield Village	25	25	0	\$117,700-\$125,900
Brayton	22	22	0	\$124,900-\$192,500
Parklawn	33	30	3	\$130,000-\$209,900
Westfield	<u>88</u>	<u>38</u>	<u>50</u>	\$130,000-\$174,900
Total SFD:	168	115	53	
<u>Lots: Custom</u>				
Myers Estates	11	6	5	\$200,000+
Greensprings:	16	14	2	\$142,500-\$219,000
Hampshire Estates	13	13	0	\$146,500-\$266,300
Stone Spring Vg.	<u>6</u>	<u>5</u>	<u>1</u>	\$189,900-\$229,900
	46	38	8	
Total Custom	<u>214</u>	<u>153</u>	<u>61</u>	

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

Other Subdivisions

Infill development has continued at many older subdivisions in Harrisonburg, and there have been a number of smaller subdivisions under development. Table 21 tallies sales at the larger of these subdivisions by price range; these subdivisions were not surveyed further. Most are now built out. In many cases, these represent lots that have been sold to builders in past years, many before 2000, so the subdivisions were effectively “sold out” in advance of this new home construction. Homes are fairly evenly distributed over the \$100,000 to \$175,000 price range, with a slight concentration of units in the \$125,000 to \$150,000 range. (Data are for 2000 through 2003.)

Table 21. Other Subdivision New Single Family Home Sales, By Estimated Home Price Range, Harrisonburg, Virginia, 2000-2003

<u>Subdivision</u>	<u>Total</u>	<u>Less Than \$100,000</u>	<u>\$100,000-\$125,000</u>	<u>\$125,000-\$150,000</u>	<u>\$150,000-\$175,000</u>	<u>\$175,000-\$200,000</u>	<u>\$200,000 Or More</u>
Brookland	16	9	6	0	0	1	0
Collicello	14	8	6	0	0	0	0
Forest Hills	16	0	0	1	3	4	8
Greendale	17	0	5	8	4	0	0
Holiday Hills	42	15	14	11	2	0	0
Pleasant Hill Ac.	34	0	2	16	10	4	2
Portland East	14	0	3	9	2	0	0
Purcell Park	17	2	8	5	1	1	0
Reherd Acres	55	13	10	7	12	4	9
Southampton	25	1	3	9	5	6	1
Springfield Vg.	13	0	9	3	1	0	0
Stone Spring Vg.	56	3	11	9	16	12	5
Southwoods	<u>16</u>	<u>0</u>	<u>1</u>	<u>9</u>	<u>4</u>	<u>2</u>	<u>0</u>
Total	335	51	78	87	60	34	25

Source: Harrisonburg-Rockingham Association of Realtors, Inc., S. Patz & Assoc., Inc.

Active Attached Home Subdivisions

Table 22, below, lists 13 attached home subdivisions that have made sales of 583 units since 2000. These subdivisions contain 633 approved lots, of which 583 have been developed with homes, or have been sold or are under contract. Descriptions of the subdivisions follows below, and their locations are shown on Map C:

- **Avalon Woods.** This townhouse subdivision has been developed in two sections, Phase 1 opened for sales in 2001 and Phase 2 in 2003. There are 136 units at the subdivision, 64 units in the first phase and 72 in the second phase. All but seven units (all in the second phase) have been sold. Units are rather crowded on this hilltop site off Reservoir Street in the southwestern part of the City. The development offers a variety of models, including one patio home model. The patio homes are three bedrooms with 1.5 baths and are targeted at the first-time home-buyer, with base prices in the \$98,000 to 109,000 range. Two or three bedroom townhouses without basement or garage are priced in the \$120,000's, and with a one-

car garage or one-car basement (but not both), the prices are in the low \$130,000's. Models with two-car garages are available for upwards of \$150,000. The style is contemporary, with vinyl siding. The more expensive homes are targeted toward "lateral movement" buyers, especially young professionals, including those who came to Harrisonburg for an education at JMU and chose to stay. Avalon Woods contains over 20 percent of the attached units developed in the City since 2000.

- **Vista Terrace.** Vista Terrace is located in southwest Harrisonburg several blocks south of East Market Street (Route 33) as it approaches the county line. This subdivision is the most expensive one currently active in Harrisonburg, the only one selling at prices over \$200,000. These are large units, with 2,500 square feet of living space, including a finished basement, plus a two-car garage. These two story townhouse units have three bedrooms and 3.5 baths. The homes are relatively crowded on a site featuring extreme slopes for a residential development, although the views are excellent. These are luxury units; features include a two-story foyer with marble floor; nine-foot ceilings on the first floor and vault ceilings in the bedrooms; designer kitchens; and all-brick construction. Thirteen units in Sections 1 and 2 sold out at prices in the \$220,000's; eight units recently developed (2003/2004) in Section 3 are currently available at base prices from the \$230,000's to the \$250,000's. The developer has targeted a niche market, primarily (60 percent) households with two incomes and few or no children; buyers also include some empty-nesters.
- **The Gables.** A small townhouse subdivision of 12 units, The Gables began sales in 2002 and was sold out in 2003. The developer reports that all units were put under contract in less than three months. The site of The Gables is Avonlea Lane, off Reservoir Street in southwest Harrisonburg quite near Avalon Woods. The development features village-style rows of all-vinyl townhomes. The homes are crowded on the site, although there is some attractive landscaping. This project offers the same units as Twin Gables in Rockingham County. Two of the units were purchased by investors and rent for \$800 to \$900 per month. Many of the other buyers were white collar professional, some single, and some units were purchased by parents of students at JMU. Units are 1,300 square feet, with two or three bedrooms, 2.5 baths, and a one-car garage. Opening base prices ranged from \$117,000 for an interior unit to \$120,000 for an end unit.
- **Hamlet Hill.** These stand-alone units are four one-car garage duplexes with unfinished basements. The style of the homes is traditional contemporary brick-front one-story units with one-car garages. Living space is 1,500 square feet, with two bedrooms and 2.5 baths. The base price for the units was \$142,500. Two were sold in 2003 and two in 2004. The location of the units is on Pirkey Lane, which is little more than a service road along Port Republic Road just outside the City in Rockingham County.

- **Stonewall Heights.** These are pleasant townhomes on a gently rolling site off Reservoir Street in southwest Harrisonburg, near The Gables and Avalon Woods. This is the second phase of Stonewall Heights, with 39 townhouse units. The homes are of a conventional townhouse style, with alternating vinyl and brick fronts. The units were priced at \$80,000 with no basement, and \$90,000 with a finished basement. All of the units were pre-sold within seven months before and during construction.
- **Easthampton.** This is a small subdivision of 14 units that is sold out. The location is a hilltop site off Central Avenue, several blocks north of South Main Street in the south-central part of the City. Units are two-story duplexes with 1,400 square feet of finished living space, three bedrooms, and 2.5 baths. Units include an unfinished basement but no garage. The exterior is vinyl siding, and all units have covered porches and rear decks, with wood railings. There is minimal landscaping at the site. The base price range for these homes was \$130,000 to \$135,000.
- **Harmony Heights.** Section 10 of this subdivision, the most recent to be developed, began sales of 68 homes in April of 2001 and was sold out within 1.5 years. Harmony Heights is an older subdivision that has been under development for several decades; Section 10 is a tract within the existing development. An additional section, Section 9, was pending City approval as of the fall of 2004; it would add 49 more townhouse units. Base prices were \$106,000 for an interior unit and \$108,000 for an end unit. Homes in Section 9 are expected to be priced in the \$110,000 to \$121,000 range. Most of these new homes, which are attractive brick-front duplexes, will include a one-car garage. Harmony Heights has also had four homes built on “infill” lots, priced at \$200,000, of which one had sold in the fall of 2004. The site is at the far northern tip of Harrisonburg, off Virginia Avenue; Mountain Views from the site are excellent.
- **Beacon Hill Townes.** This subdivision contains 20 percent of all attached units developed in Harrisonburg since 2000. This is a close-in location north of downtown off North Main Street (Route 11). The homes have been priced in the \$95,000 to \$155,000 range (base prices). The existing three phases of the development were approved by the City in 2002. The style is quadraplex, with siding over brick. These are two-story units, some over a one-car garage. There is some landscaping at the site. While empirical data on sales pace are not readily available, the developer reports that the homes have been sold as fast as they were constructed. A fourth phase is planned for spring, 2005, for 39 units. Phases Five and Six will add 40 units, and 39 units, respectively (no date specified). The developer anticipates sales of 30 homes per year. The community is large but contains no amenities other than two playgrounds. The subdivision contains a mix of unit types, as follows:

<u>Type of Unit</u>	<u>No. of Stories</u>	<u>Garage</u>	<u>Basement 1/</u>	<u>Price Range</u>
Townhouse	Two	No	No	\$94,500-\$102,500
Townhouse	Three	(Some)	(Some)	\$107,550-\$113,200
Townhouse	Three	1-car	Unfinished	\$110,700
Townhouse	Three	1-car	Finished	\$115,550
Duplex	NA	1-car	Finished	\$139,000
Duplex	NA	2-car	Finished	\$155,000

1/ Or "bonus room."

- **Meadow Pointe Vista.** The location of Meadow Pointe Vista is along Pointe Drive, off South Main Street in the far southern portion of the City. Section 1 of this subdivision contains 50 duplex homes. Units alternate vinyl siding and brick fronts. The homes include two story units with no garage, at 1,400 square feet, and three story units with garages, at 1,700 square feet. All units have 2.5 baths, and there are both two and three bedroom units of each type. The base price for the two story duplexes was \$157,000 and for the three story duplex, \$168,000. As of the fall of 2004, 40 of the 50 homes had been sold. The main amenity at the subdivision is paved walking trails. A second section will add 26 units.
- **Village @ Meadow Pointe.** This is an age-restricted subdivision for active adults aged 55 years or older, located adjacent to Meadow Pointe Vista in southern Harrisonburg. A total of 80 one-story duplex units are planned for the subdivision, which includes a small community building. To date (Fall, 2004), 24 units had been built, of which 19 were sold. Sales began in early-2003. Units range in size from 1,300 square feet to almost 1,700 square feet, with two bedrooms for the smaller units, and the option for three bedrooms at the larger units. Base prices range from \$160,000 to \$175,000, respectively. All units have two baths. The units have a one-car garage. A two-car garage is available for an additional \$6,500. The target market for the units is the empty nester market. To date most purchasers have been couples, and most (an estimated 70 percent) are from the Harrisonburg area.
- **Park Crest Homes.** This subdivision has a close-in location off Commerce Drive a few blocks north of downtown. These are among the most modestly-priced townhomes on the market. They are small and are basic in terms of design and amenities. For example, parking extends to the structures, with no space for yards. The first two phases at Park Crest planned the delivery 33 units and 38 units, respectively. As of the fall 2004, 47 had been built and sold, 24 units were completed and in inventory, and 27 additional units were in the pipeline (planned or under development). (By winter, 2004, the project had sold out.) The total number of units could exceed 100. Homes are two story townhouses with three bedrooms and 2.5 baths. Units in the first phase were priced at \$90,000 (base price). Prices for the second phase were from \$110,000 (interior units) to \$115,000 (end units). Living

space is 1,100 square feet. The future units may be priced about \$5,000 above the more recent units, but the pricing is not firm yet. The units do not have garages or carports. The first phase attracted many investors, and the developer adopted a policy to try not to sell more than one-third of the additional units to investors in order to increase sales to first time and move-up home buyers.

- **Pheasant Run.** This townhouse subdivision of 143 units began development and marketing of Phase 1 in 1999. The first 40 units sold out in 2001. Phase 2 began in 2001 with 40 units and Phase 3 in 2002 with 63 units. The 103 units in Phase 2 and 3 are all rentals, nearly 100 of which are targeted toward student households. Opening base prices in 1999 were about \$95,000, and the price for the last units sold was \$108,000. Pheasant Run is located on Rocco Avenue, which is a short street extending east off South Main Street quite near JMU. The units are attractive, with nice landscaping. The style features conventional fronts alternating brick and siding. No future phases were reported by the developer, but there is construction activity adjacent.
- **Westfield.** Westfield, off West Main Street on the west side of Harrisonburg, includes attached homes as well as detached homes (see above). The attached homes are relatively plain, lining Shenstone Drive, with little landscaping or amenities. Nineteen townhouse units were approved for Section 5 in 2000, and sold out within a year. Section 5 homes were priced in the \$85,000 to \$95,000 range (base price).

Table 22. Characteristics of Active Attached Home Subdivisions, Harrisonburg, Virginia, 2000-2004

<u>Subdivision</u> <u>(Map C Number)</u>	<u>Date Ap- proved</u>	<u>Number</u> <u>of Units</u> <u>Approved</u>	<u>Units</u> <u>Sold/Under</u> <u>Contract</u>	<u>Unsold</u> <u>Inventory</u>	<u>Sale Price</u>
Avalon Woods 1	Jan-00	64	64	0	\$91,500-\$98,400
Avalon Woods 2	May-03	<u>72</u>	<u>65</u>	<u>7</u>	\$108,900-\$133,400
Total (1)		136	129	7	
Vista Terrace (2)					
Section 1 and 2	Jan-02	13	13	0	\$219,900
Section 3	Jan-02	<u>8</u>	<u>0</u>	<u>8</u>	\$256,900
Total		21	13	8	
The Gables (3)	Jun-02	12	12	0	\$116,700-\$119,700
Hamlet Hill (4)	NA	4	4	0	\$142,500
Stonewall Hts. (5)	NA	39	39	0	\$80,400-\$90,400
Easthampton (6)	NA	14	14	0	\$129,900-\$134,900
Harmony Hts. (7)					
Infill Develop.	NA	4	1	3	\$199,900
Section 10	Aug-00	68	68	0	\$105,500-\$107,500
Beacon Hill TH (8)					
Section 1	Mar-02	44	44	0	\$94,500-\$139,900
Section 2	Jul-02	46	43	3	\$95,000-\$110,700
Section 3	Dec-02	<u>39</u>	<u>39</u>	<u>0</u>	\$99,100-\$155,500
Total		129	126	3	
Mead. Pt. Vista (9)	Sep-01	50	40	10	\$157,000-\$168,000
Vg.@ Mead. Pt. (10)	NA	24	19	5	\$159,900-\$174,900
Pk. Crest Homes (11)					
Section 1	Jul-02	33	33	0	\$89,900-\$91,900
Section 2	NA	<u>38</u>	<u>14</u>	<u>24</u>	\$109,900-\$114,900
Total		71	47	24	
Pheasant Run (12)	Jul-01	40	40	0	\$93,900-\$107,900
Westfield Sec. 5 (13)	Oct-00	31	31	0	\$85,000-\$90,000
	Total	<u>633</u>	<u>583</u>	<u>50</u>	

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

Table 23 shows that 30 percent of the units sold in those active subdivisions in Table 22 were priced between \$75,000 and \$100,000, and more than 40 percent between \$100,000 and \$125,000. It was difficult to limit the survey data to closing prices, and some of these price data refer to list prices. Where list prices appear they would overstate the number of units in the lower price ranges. For example, 100 units were listed in the \$92,000 to \$99,000 price range, mostly above \$95,000, the prices of which may reasonably be expected to have closed at over \$100,000, or the base prices escalated over the sell-out period, many to over \$100,000.

Table 23. Numbers and Percents of Units By Sales Price Range, Active Single Family Attached Home Subdivisions, Harrisonburg, Virginia, 2000-2004

<u>Sales Price Range</u>	<u>Number Of Units</u>	<u>Percent Of Units</u>
Less Than \$75,000	--	--
\$75,000 to \$99,900	180	30.9%
\$100,000 to \$124,900	250	42.9%
\$125,000 to \$149,900	80	13.7%
\$150,000 to \$174,900	59	10.1%
\$175,000 to \$199,900	1	0.2%
\$200,000 and Over	<u>13</u>	<u>2.2%</u>
Total Attached Units Sold	583	100.0%

Source: S. Patz & Assoc., Inc. Field and Telephone Survey

Rockingham County Home Sales Activity

Only those active Rockingham County subdivisions that are located in suburban Harrisonburg were surveyed directly; data for those subdivisions will be presented and analyzed in this section. The purpose is to provide comparative data to indicate where

new homes of different types and price ranges are being developed in the greater Harrisonburg area.

Active Single Family Subdivisions

About 30 percent of the home sales in Rockingham County since 2000 have been in the southeast of Harrisonburg including the area along Route 33 and Port Republic Road, and surrounding communities. This vicinity is the most rapidly growing suburban Harrisonburg area. Sales prices in the area fall into two distinct modes – the \$75,000 to \$149,900 price range (36 percent) at scattered locations, including Grottos, and the \$200,000 and over price range (33 percent), primarily in the near-Harrisonburg area.

There has been little recent development of tract housing in the suburban Harrisonburg portion of Rockingham County. Instead, the lot sales market has been extremely active and has accounted for most of the recent home building in the vicinity. Subdivision lots are developed and sold in bulk to individual home builders. There are two existing subdivisions near Harrisonburg for which development is only partly underway. These are two vastly different subdivisions. These subdivisions are (see Table 43):

- **Crossroads Farm.** This is a planned unit development (PUD) that is expected to have 500 units at buildout. Sales prices are projected at over \$250,000 per unit. As of the fall of 2004 only eight units in Section 1 and 2 had been sold or were under contract; however, by mid-winter approximately 10 more were under construction. The site is a gently rolling meadow at the intersection of Spotswood Trail (Route 33) and Crosskeys Road, southwest of Harrisonburg. Home styles vary considerably at Crossroads Farm – from Victorians with porches, to all-brick French Provincials and Colonials – but all are upscale, with two-car garages. Mountain views from the site are spectacular. The PUD includes duplexes as well as detached units (see below).
- **Brentwood.** Section 1 of this manufactured home community will have 26 units; eight have been sold to date or are under contract. Anticipated sales prices are to be in the \$120,000 to \$140,000 range. Buildout is projected for 92 units. The site is off Grassy Creek Road, directly south of Harrisonburg. Access to the site from South Main Street in the City is circuitous, through an industrial area in Harrisonburg via Greendale and Pleasant Valley roads. The location is not a prime location, being near the County landfill and a large trailer park. The hilltop site does afford

excellent mountain views. The units themselves are quite plain, and there is no evidence of planned landscaping or other amenities.

Table 24. <u>Characteristics of Single Family Detached Subdivisions, Rockingham County, Virginia, 2000-2004</u>					
<u>Subdivision</u>	<u>Date Approved</u>	<u>Number of Units Approved</u>	<u>Units Sold/Under Contract</u>	<u>Unsold Inventory</u>	<u>Sale Price</u>
-					
Crossroads	Dec-01	8	8	0	\$256,000+
Brentwood	Nov-02	<u>26</u>	<u>8</u>	<u>18</u>	\$120,000-\$140,000
Total		<u>34</u>	<u>16</u>	<u>18</u>	

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

Six subdivisions in the vicinity of Harrisonburg, including Crossroads Farm, above, have achieved lot sales of almost 300 units since 2000. These lot sales are responsible for most of the 400± new home sales priced over \$200,000 reported in the MLS data, the balance being on lots outside of subdivisions and sales in other parts of the County. Characteristics of these lot sales are summarized in the following table, Table 25; descriptions of the subdivisions located southeast of the City follow the table. The area between Boyer Road and Shen Lake Drive, from Route 33 to Port Republic Road, is the primary development activity location in the Rockingham County portion of suburban Harrisonburg. (See also Crossroads Farm, above.)

Table 25. Characteristics of Single Family Detached Lot Sales, Rockingham County, Virginia, 2000-2004

<u>Subdivision</u>	<u>Number of Lots</u>	<u>Lots</u>		<u>Lot Size</u>	<u>Sale Price</u>
		<u>Sold/Under Contract</u>	<u>Unsold Inventory</u>		
Lakewood Estates	52	49	3	0.5 ac. average	\$35,000-\$52,000
Monte Vista Estates	100	91	9	0.4 to .75 acres	\$56,000-\$61,000
Battlefield Estates	26	26	0	0.33 to 0.5 acres	\$44,900-\$54,900
Kentshire Estates	26	18	8	0.31 to 0.41 acres	\$44,900-\$57,900
Crossroads Farm					
Section 3 and 4	28	26	2	0.35 to .55 acres	NA
Section 5	<u>25</u>	<u>15</u>	<u>10</u>	0.41 to 0.71 acres	\$75,000 to \$90,000
Total	53	41	12		
Barrington					
Section 5	22	22	0	0.4 to 0.5 acres	\$47,000-\$53,000
Section 6	14	14	0	0.4 to 0.5 acres	\$47,000-\$53,000
Section 7	<u>43</u>	<u>35</u>	<u>8</u>	0.4 to 0.5 acres	\$48,000-\$59,000
Total	79	71	8		
Total	<u>336</u>	<u>296</u>	<u>40</u>		

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

- **Lakewood Estates.** This subdivision is located next to Barrington, off Taylor Springs Road, which connects to Boyer Road, just south of the Harrisonburg City line. Sections 9 and 10, the recent and current sections at Lakewood Estates, have experienced very little speculative building, most construction being custom. No new construction sold in 2003, but eight homes are currently under construction. List prices for resales in 2003 ranged from \$229,900 to \$278,000. These are nice homes, with an eclectic mix of styles, including Colonials and Victorians, with brick, and vinyl and wood siding. Units include both one story and two-story homes.
- **Battlefield Estates.** This subdivision has been under development for quite some time. Earlier homes were not so upscale as those currently being developed. The location of Battlefield Estates is off Route 33 below Massanetta Springs Road just southeast of Harrisonburg. There is a wide variety of styles here, but most of the newer homes are all-brick Colonials. List prices for speculative houses sold in 2003 in Section 3 (the current section) ranged from \$246,600 to \$395,000.

- **Kentshire Estates.** There has been very little speculative building at this subdivision; most development has been custom. List prices for resales sold in 2003 ranged from \$229,900 to \$278,000, based on lot prices in the \$45,000 to \$58,000 range. Kentshire Estates is a small subdivision located adjacent to the interior of Barrington and accessed through Barrington. Homes are of similar quality to those at Barrington (see below). Of the 26 lots here, one is currently under construction and six homes have been built.
- **Barrington.** This is a very large subdivision that has been under development for many years. Barrington is located between Boyer Road and Shen Lake Drive, and extends southwest to Port Republic Road. There are many very attractive and expensive homes in Barrington. List prices for speculative houses in Sections 5 and 6 selling in 2003 ranged from \$259,900 to \$320,000. Prices at Barrington ranged from \$47,000 to \$59,000 for 0.4-acre to 0.5-acre lots.

Table 26 combines data on sales of homes and sales of lots for single family detached homes in subdivisions in Rockingham County, showing both the actual home price sales ranges, and home sales price ranges based on the past history of home sales in the respective subdivisions. The very small Brentwood subdivision is the only one with affordable home prices; home prices at all other subdivisions start at \$230,000.

Table 26. Summary of Single Family Detached Home and Lot Sales, and Estimated Home Price Range, Rockingham County, Virginia, 2000-2004

	<u>Lots Sold</u>		<u>Lot Size</u>	<u>Lot Sales</u>	<u>Home Sales</u>
	<u>No.</u>	<u>Pct.</u>	<u>In Ares</u>	<u>Price Range</u>	<u>Price Range</u>
Brentwood	8	2.6%	(Homes)	NA	\$120,000-\$140,000
Lakewood Estates	49	15.7%	0.5	\$35,000-\$52,000	\$230,000-\$278,000
Other Subdivisions 1/	115	36.8%	0.3-0.5	\$45,000-\$59,000	\$230,000-\$395,000
Monte Vista Estates	91	29.2%	0.4-0.8	\$56,000-\$61,000	\$234,000-\$355,000
Crossroads Farm	41	13.1%	0.4-0.7	\$75,000-\$90,000	\$256,000+
Crossroads Farm	<u>8</u>	<u>2.6%</u>	(Homes)	NA	\$256,000+
Total All Subdivisions	312	100.0%	0.3-0.8		

1/ Battlefield Estates, Kentshire Estates, and Barrington.

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

Active Attached Home Subdivisions

Four active attached home subdivisions near Harrisonburg have had sales of 194 units since 2000; active sections at those subdivisions are currently near sell-out. A small number of sales have occurred at Crossroads Farm and at Twin Gables, but almost half of the sales have been at Spring Oaks and another 36 percent have been at Taylor Springs. Spring Oaks is priced at the upper end of the market, at \$195,000 to \$235,000, and is age-targeted for active adults. Crossroads Farm has sales at similar prices. The 69 sales at Taylor Springs are in the mid-range, \$120,000 up to \$144,000. Only the 17 units at Twin Gables sold at near-affordable prices of \$100,000 to \$125,000. There were also sales of 17 duplex lots at Cullison Court.

- **Crossroads Farm.** The 14 duplex units currently at Crossroads Farm are located on Chelsea Circle, which is presently a cul-de-sac extending off Frederick Road, the main road through the PUD. These units are attractive two-story all-brick/two-car garage homes in the \$200,000+ price range. As with the single family detached homes, the sites of the duplex units are in gently rolling meadowland with spectacular mountain views. Several of the duplex units are still under construction.
- **Taylor Springs.** The first two sections of this subdivision are sold out. A third section is planned for 40 townhomes, with opening prices in the \$145,000+ range. The subdivision is located on Taylor Springs Road off Boyer Road southeast of Harrisonburg. Existing units are nice two-story townhomes, alternating brick and siding fronts. There are no garages in this subdivision, nor any indication of planned landscaping.
- **Spring Oaks.** Spring Oaks is situated off Massanetta Springs Road just south of Route 33. The site has gently rolling topography and is in the initial stages of landscaping. Units are age-targeted to empty nesters/active adults, the home style being one-story duplexes with two-car garages. These units offer vinyl siding fronts with brick trim. To date 94 homes have been sold. Some of these units are still under construction. Section 5, the most recent section, sold 32 units in the \$195,000 to \$235,000 price range.
- **Twin Gables.** This subdivision offers the same units that are offered at The Gables in Harrisonburg. The development features village-style rows of all-vinyl townhomes. Units are 1,300 square feet, with two or three bedrooms, 2.5 baths, and a one-car garage. Opening base prices ranged from \$119,000 for an interior unit to \$126,000 for an end unit. All 17 units developed since 2003 have been sold.

- **Cullison Court.** This subdivision is on Cullison Creek Road off Boyer Road near Taylor Springs Road. These are duplex home lots, and the home price range is not known for the homes that have been constructed on them. The homes are attractive brick-front one-story units, with two-car garages. The site is gently rolling farmland. Although all lots are reported to have been sold, four have yet to have homes constructed. One other home is under construction.

Table 27. Characteristics of Active Single Family Attached Subdivisions, Home and Lot Sales, Rockingham County, Virginia, 2000-2004

<u>Subdivision</u>	<u>Date Approved</u>	<u>Number of Units Approved</u>	<u>Units Sold/Under Contract</u>	<u>Unsold Inventory</u>	<u>Sale Price</u>
<u>Home Sales</u>					
Crossroads Farm	Dec-01	14	14	0	\$199,900 - \$248,000
Taylor Springs					
Section 1	Mar-02	40	40	0	\$119,620-\$125,285
Section 2	Dec-03	29	29	0	\$133,000-\$144,000
Spring Oaks					
Section 5	Jan-04	35	32	3	\$195,000-\$235,000
Section 1,2,3	Feb-03	50	50	0	NA
Section 4	Apr-03	12	12	0	NA
Twin Gables	Jul-03	<u>17</u>	<u>17</u>	<u>0</u>	\$118,700-\$125,500
Total Home Sales		<u>197</u>	<u>194</u>	<u>3</u>	
<u>Lot Sales</u>					
Cullison Court 1/	NA	<u>17</u>	<u>17</u>	<u>0</u>	\$22,125-\$30,000
Total, All Sales		<u>214</u>	<u>211</u>	<u>3</u>	
1/ Lots for duplex units.					
Source: S. Patz & Assoc., Inc. Field and Telephone Survey.					

Total Subdivision Absorption

The tables to follow summarize sales of new homes by price range for detached and attached homes combined. These data include estimates of custom homes by price range constructed on lots identified in the survey as sold during 2000 or after.

Harrisonburg

Active subdivisions surveyed in Harrisonburg sold 733 homes between 2000 and September 2004, and infill and other older subdivisions added 335 homes. Of these 256, or 28 percent, were in the affordable price range of under \$100,000. These were primarily attached homes, mostly townhomes but including some duplexes. Another 328 units, or 34 percent, were in the affordable price range of \$100,000 to \$125,000. Again, these were primarily attached units (townhomes). The numbers of units by price range include estimates where developers or realtors reported sales in ranges that do not match the categories utilized here. There may be cases where list prices are included instead of closing prices.

<u>Price Range</u>	<u>Survey</u>	<u>Total 1/</u>	<u>Percent</u>
Less Than \$100,000	205	256	28.0%
\$100,000 to \$125,000	250	328	34.1%
\$125,000 to \$150,000	137	224	18.7%
\$150,000 to \$200,000	117	211	15.9%
\$200,000 and Over	<u>24</u>	<u>49</u>	<u>3.3%</u>
Total Units Sold	733	1,068	100.0%

1/ Includes other subdivisions listed in Table 21.

Rockingham County

As was demonstrated previously, suburban Rockingham County had relatively few sales of attached homes, and documentation of sales of detached homes in subdivisions is largely based on sales of individual lots. This is apparent from the

previously-presented data, which showed sales of about 300 subdivision detached homes and lots, and 200 subdivision attached homes. The combined sales of 526 units for the suburbanizing area in the County compare to the sales of 733 units realized in the City:

- The sales in the County have been overwhelmingly at the high end price-wise – two-thirds (66 percent) of the units commanded prices of \$200,000 or more. Only 11 percent of the sales were priced at less than \$125,000.

<u>Price Range</u>	<u>No. of Units</u>	<u>Percent</u>
Less Than \$100,000	--	0.0%
\$100,000 to \$125,000	57	10.8%
\$125,000 to \$150,000	55	10.5%
\$150,000 to \$200,000	68	12.9%
\$200,000 and Over	<u>346</u>	<u>65.8%</u>
Total Units Sold	526	100.0%

- When the City and suburbs are viewed together, fully 88 percent of the units priced over \$200,000 were in the suburbs, while 91 percent of the units priced under \$125,000, and 80 percent of the units priced between \$125,000 and \$150,000, were in the City.

Inventory and Pipeline

Near-term future housing supply will include the sell-out of existing unsold inventory plus delivery and sales of new units now in the planning and development “pipeline.” The paragraphs below review the existing unsold inventory situation for subdivisions in Harrisonburg and suburban Rockingham County, by type of unit, and the number of units that are in the pipeline. Anticipated asking prices for new homes are presented where the information is available. The following chart summarizes the number of units in the pipeline by type and location in active subdivisions:

<u>No. Units By Type</u>	<u>Harrisonburg</u>	<u>Rockingham Co.</u>	<u>Market Area</u>
Single Family Detached	104	76	180
Single Family Attached	<u>254</u>	<u>21</u>	<u>275</u>
Total Single Family	358	97	455

Harrisonburg

The City has a combined unsold inventory plus pipeline unit-count of about 100 single family detached homes. Table 28 reports that the current unsold inventory of detached single family homes is priced upwards of \$140,000, and the pipeline plans call for units in the high \$200,000's price range (at Heritage Estates). Over 80 percent of the unsold inventory is at Westfield. No new homes are planned or available at affordable prices. In the 2000 to 2004 period only 25 affordable detached homes were sold, a rate of less than 15 percent of all detached home sales (including lots).

Table 28. Development in the “Pipeline” – Unsold Inventory and Planned Single Family Detached Homes, Harrisonburg, Virginia, Fall 2004

<u>Subdivision</u>	<u>Units</u>	<u>Home Prices Range</u> ^{1/}
<u>Unsold Inventory</u>		
Parklawn, Section 8	3	\$149,900-\$209,900
Westfield Sections 7 & 8	50	\$149,900-\$174,900
Myers Estates	5	\$142,500-\$219,900
Greensprings/Stone Spring Village	3	\$146,500-\$266,300
Subtotal	61	
<u>Pipeline Development</u>		
Heritage Estates	32	\$260,000-\$295,000
Brayton	11	TBD ^{2/}
Subtotal	43	
Total, All Detached Units	104	

1/ Home prices for available lot inventory are based on recent (2003) list prices.

2/ Most recent previous sections were priced from \$142,900 to \$192,500.

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

- According to Multiple Listing Service data (see Section VI) the average sales pace for all new detached homes in the City was about 110 units, of which the surveyed subdivisions represented 30 percent, at an average of 33 units per year. The subdivision pipeline of 104 lots would represent one-year’s absorption if all activity took place in active subdivisions, but at the present rate it would take three years to absorb all detached units in the subdivision pipeline.

Just over 70 percent (250 units) of all unsold inventory and pipeline units in Harrisonburg are attached homes, slightly less than the 76 percent attached sales since 2000. Only a handful of these units are priced under \$100,000. Based on current and past prices, probably half of the units (about 125 homes) are priced between \$100,000 and \$125,000, and the balance at over \$125,000. This compares to 73 percent of all sales

in subdivisions at prices under \$125,000 since 2000, and half of those were at prices between \$75,000 and \$100,000. This demonstrates a sharp upturn in the prices for attached homes in Harrisonburg (see Table 29).

Table 29. <u>Development in the “Pipeline” – Unsold Inventory and Planned Single Family Attached Homes, Harrisonburg, Virginia, Fall 2004</u>		
<u>Subdivision</u>	<u>No.</u>	<u>Home Prices</u>
<u>Unsold Inventory</u>		
Avalon Woods	7	\$108,900-\$133,400
Vista Terrace	8	\$256,900
Harmony Heights	3	\$199,900
Beacon Hill Townes	3	\$95,000-\$110,700
Meadow Pointe Vista	10	\$157,000-\$168,000
Village @ Meadow Pointe	5	\$159,900-\$174,900
Park Crest Homes Section 2	<u>24</u>	\$109,900-\$114,900
Subtotal	60	
<u>Pipeline Development</u>		
Beacon Hill Towns	118	TBD 1/
Park Crest Homes	27	TBD 2/
Harmony Heights Section 9	49	\$110,000-\$121,000
Meadow Pointe Vista	<u>NA</u>	NA 3/
Subtotal	194	
Total, All Attached Units	254	
<p>1/ Most recent sections were priced from \$99,000 to \$155,000. 2/ Most recent sections were priced from \$109,900 to \$114,900. 3/ Most recent sections were priced from \$157,000 to \$168,000.</p> <p>Source: S. Patz & Assoc., Inc. Field and Telephone Survey.</p>		

- Park Crest has proved to be the major source of affordable new housing in the City. As of summer, 2004, 47 units had been built and sold, and the unsold inventory stood at 24 units, with 27 more in the pipeline. The units achieve affordability by being quite small, but they are well-sited, and apparently pre-sales are proceeding rapidly for future sections.

- Approximately 85 percent of the new single family attached units reported sold in the City since 2000 are in the subdivisions surveyed, at an average sales pace of about 140 per year. Those subdivisions achieved a sales pace of 130 units per year through fall, 2004. The pipeline of 250 attached units would represent about a two years' supply of new units.

Rockingham County

Pipeline and unsold inventory in Rockingham County total less than 100 detached and attached single family homes. The unsold inventory plus pipeline is almost 80 percent detached homes, compared to about 60 percent detached sales since 2000. Thus, while the gross amount is less than one years supply, based on sales of 500+ units since 2000, or an average of almost 110 per year, the supply is quite different by type: the 76 detached unit supply is 1.2 years' supply (based on 65 units per year since 2000), while the 21 attached unit supply is only 0.5 years' supply (based on 41 units per year since 2000). (These sales paces are based on suburban subdivisions, not total County-wide sales.)

Most of the pipeline for detached units is in terms of lot sales; these subdivisions (as listed in Table 30) have the capacity to bring on additional sections in short order, and there appears to be no shortage of lots for expanded development of detached homes. Thus, the number of units given here as being within the pipeline is not truly indicative of the market's ability to meet demand for new detached housing in suburban Harrisonburg. With the exception of unsold homes at Brentwood, all new detached homes as now planned will be in the \$200,000+ price range.

Table 30. Development in the “Pipeline” – Unsold Inventory and Planned Single Family Detached Homes, Rockingham County, Virginia, Fall 2004

<u>Single Family Detached</u>	<u>No.</u>	<u>Lot Prices</u>	<u>Home Prices 1/</u>
<u>Unsold Inventory</u>			
Brentwood Section 1 2/	18		\$120,000-\$140,000
Lakewood Estates Sec. 9 & 10	3	\$35,000-\$52,000	\$229,900-\$278,000
Monte Vista Estates Section 4	9	\$56,000-\$61,000	\$224,000-\$354,500
Kentshire Estates	8	\$44,900-\$57,900	\$229,900-\$278,000
Crossroads Farm	12	\$75,000-\$90,000	\$256,000+
Barrington Section 7	8	\$48,000-\$59,000	\$259,900-\$320,000
Subtotal	58		
<u>Pipeline Development</u>			
Monte Vista Estates	18	\$56,000-\$61,000	\$224,000-\$354,500
Total, All Detached Units	76		

1/ Home prices for available lot inventory are based on recent (2003) list prices.

2/ Homes. All others are based on lots.

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

The limited planned pipeline for attached homes in the suburban parts of Rockingham County is somewhat surprising, given few unsold units and the pace of recent absorption of twice the amounts currently planned. At present, Taylor Springs is the only subdivision with additional attached units in the pipeline. However, as noted above, existing subdivisions do have capacity for expansion, and new sections can be brought on-line in a relatively short time.

<u>Single Family Attached</u>	<u>No.</u>	<u>Home Prices</u>
<u>Unsold Inventory</u>		
Twin Gables	3	\$195,000-\$235,000
<u>Pipeline Development</u>		
Taylor Springs Section 3	<u>18</u>	\$145,000+
Total, All Attached Units	21	

Summary

The consultants' survey data presented in this section describe individual subdivisions in Harrisonburg, noting recent development activity and subdivision characteristics and unit prices. The consultants' survey provides data on nearly 700 units in single family detached and attached subdivisions in the City. These data are intended to parallel the statistical data on new home sales from the Multiple Listing Service (MLS), as described in Section VI. The data from both the MLS reports and the consultants' survey will be applied to provide estimates of the current housing inventory by type and tenure in Harrisonburg.

Section V. Multi-family Housing

Except for student housing in the early 2000's, there has been relatively little development of multi-family housing in Harrisonburg and its environs since 2000, either units for sale or for rent. This follows a period in the late 1990's when the multi-family market for both student housing – primarily large (three and four bedroom) rentals and condominiums – and conventional apartments was extremely active. As a consequence the student market became severely overbuilt. That overhang appears has been absorbed to a large extent (see Section III and below), partly through continued increases in student enrollments at JMU, and partly through re-positioning of different market segments.

Development of market rate rental multi-family housing is at a near stand-still, due both to the absorption of the previous oversupply, and the inability of most of the in-migrant population to afford rents at the newer market rate apartments. What little multi-family development that has occurred has tended to be in subsidized developments. These trends are reviewed in the following paragraphs.

Condominium Sales

The only recently active new condominium projects in Harrisonburg are Millwood Condominiums, a townhouse project, and Blue Stone Hills Executive, a very small (eight units) development of flats.

- Phases 1 and 2 of Millwood, with 24 units, are now sold out. This project is developed in a townhouse style. Most of these units were purchased as investor units and are now on the rental market. Prices were in the \$77,500 to 89,500 range. Phase 3 of the Millwood project is currently in the pipeline and will deliver an additional 12 units in the near future.
- Blue Stone Hills Executive consists of eight flats in 10,000 square feet of the rehabilitated Metro building, a former garment factory on East Elizabeth Street in the downtown. The balance of this 40,000 square foot building has been converted to office space. This is an up-scale project, indicating a latent demand for such a product.

Table 31. Characteristics of Active Condominium Projects, Number of Units Approved and Sold, and Sales Price Range, Harrisonburg, Virginia, 2000-2004

	<u>Units</u>	<u>Sales Price Range</u>	<u>Notes:</u>
Millwood Condo 1/ Phase 1	12	\$77,500-\$79,500	Most purchased as investor units
Phase 2	<u>12</u>	\$87,500-\$89,500	
Total	24		
Blue Stone Hills Exec.	<u>8</u>	\$229,000-\$240,000	Main floor Metro Bldg.
Total Condo Units	32		

1/ 12 additional units in the development pipeline.

Source: S. Patz & Assoc., Inc. Field and Telephone Survey.

- There are two resale condominium projects in Harrisonburg, which cater to college students and young professionals, Hunters Ridge and University Place. Many of these units are investor owned. There are a total of 109 condominiums at Hunters Ridge, plus lofts (12) and townhouses (70). Of these, 82 are furnished units for students. There is considerable turnover of these units, with prices in the \$30,000 to \$55,000 range.

<u>Multi-family Development</u>	<u>Year Built</u>	<u>Number of Units</u>	<u>Type of Units</u>	<u>Years of Sales</u>	<u>Sale Price Range</u>
Hunters Ridge	1988	83	condo	2001-2003	\$35,000-\$55,000
University Pl.	1987	<u>30</u>	condo	2000-2003	\$29,000-\$49,000
Total		113			

Competitive Rental Apartments

Table 32 provides survey data on seven apartment complexes that generally do not market apartment units to undergraduate students; two high rent newer apartment complexes (Pleasant Run and Devon Village) that have a only few units rented to non-student young professionals, but are included to show the top rents in the region; and a large rental townhouse market. Two of the apartment complexes shown in Table 32 (Chestnut Ridge and Mosby Heights) are tax credit properties that have been included because they are among the more recent apartment complexes in the City. There has been no new rental apartment development in the City since 2001. The total number of competitive apartments surveyed in the City is 1,100, excluding student apartments. This is about 20 percent of the City's total of 5,700 multi-family rental units (three or more units per structure).

Characteristics of Rental Apartments

Data in Table 32 show that 450± new apartment units were built and occupied during the 1990's. The modest-rent Chestnut Ridge leased 148 units over a two-year period. No quality new units have been built within the past few years. The following paragraphs briefly describe the data presented in Table 32 (see also Map D).

- The Greens is the best local apartment complex but is now 14 years old and has few attractive features. It remains full because it is the only quality complex in the City. It is built with all siding and lacks exterior architectural details. The units are modest in size but the complex has a full range of amenities, including a clubhouse and pool. The adjacent Chestnut Ridge apartment complex could have a negative effect on this property in the future. Monthly rents are \$10 higher for a fireplace in the unit. The location is off East Market Street near the County line.
- Oak Hill is located on Governor's Lane off Reservoir Street at the overpass of Reservoir Road at Interstate I-81. The site is narrow, and the two- and three-story structures are crowded on a hillside. These are contemporary brick structures with balconies but little visual appeal. The complex has a small pool. The two-bedroom rents of \$575 per month are quite modest.

- Park Apartments is poorly located on Rocco Avenue but is adjacent to Pheasant Run, which absorbed many units. Park Apartments is the only area property with a substantial number of vacant units. This level of vacancy (12 percent) is down somewhat from 25 percent in 2001, but high vacancies have been normal for recent years, due to its high rents at the upper end of the market. Most vacancies are in the two-bedroom/one bath units. Management has put considerable investment in the building exterior in recent years. About 25 percent of the tenants are students.
- Longview Oaks is an early-1990's property located on the northwest side of the City. It lacks amenities and is competitive in a marketplace of primarily modest properties. It is located on Vine Street near the Park Crest townhome project. The style here is rustic, with wood siding on the two-story buildings. Units have balconies or porches. Landscaping is fairly well done.
- Pheasant Run has 143 units in total. Forty units were completed and sold in 2001. The developer added 40 units in 2002 and the remainder in 2003. Overall, a total of 103 are rentals, primarily to students (see below). Only eight are currently occupied by young professionals. Pheasant Run/Devon Village has a few units leased to non-students. There are three-bedroom/3.5 bath models. Pheasant Run offers four-bedrooms/two bath models.
- Townhouse Units. The City of Harrisonburg has a considerable number of townhouse units in mature complexes. In fact, a high percentage of the City's non-apartment unit market are townhomes built during the 1980's and 1990's. A conservative estimate is that 250 of these units are rented to young professionals and families. Typical townhouse units for rent can be found at Country Club Court, the Village of Bluestone and other similarly aged subdivisions.
- Chestnut Ridge is a newer (1999) tax credit property with rents equal to the City's modest properties. Minimum incomes are \$16,000 for a two-bedroom unit and \$19,000 for a three-bedroom unit. These are three-story walk-ups with tan vinyl siding. The site is well-landscaped, but quite sloped and buildings are relatively crowded on the site. The location is on Chestnut Ridge Drive off East Market Street near the Greens.
- Holly Court is located on Reservoir Street at I-81 opposite Oak Hill Apartments. This is a townhouse community in a two-story Tudor style over a brick foundation. Mature trees line the streets of the gently rolling site, and the buildings are landscaped. These are two-bedroom units in this 1970's property, and they are set at the lowest rents among the projects surveyed.
- Mosby Heights is located on Mosby Court, which extends off West Mosby Road just east of South Main Street in the far south part of Harrisonburg. These are attractive two-story duplex units. The rolling site is well laid-out and landscaped. Trim and doors on the contemporary structures are colorful. The

setting includes farmland along West Mosby Road, and the site backs up to a wooded tract.

- Advantage Realty manages the other three adjacent apartment complexes located along Reservoir Street, east of Cantrell Avenue. These are modest apartment complexes that were primarily built in 1974 and are well below the quality of other properties shown in Table 32.
- Waterford Apartments is a small, unattractive two-story complex with just one structure and parking lot on the site, which backs up to I-81 near Oak Hill and Holly Court on Reservoir Street. This is a hilltop site with no landscaping. The structure is all brick with wooden balconies.

Table 32. Characteristics of Competitive Rental Apartments, Harrisonburg, Virginia, Fall 2004

	<u>Map D Key</u>	<u>Date Built</u>	<u>Total Units</u>	<u>Vacant Units</u>
Better Properties				
The Greens	1	1990	150	0
Park Apartments	2	1974	136	16
Longview Oaks	3	1989/92	138	1
Pheasant Run/Devon Vg. 1/	4	1999/03	8	0
Townhouses 2/ (Subtotal)	--	NA	<u>250</u> (682)	<u>NA</u> (17)
Mature/Modest				
Chestnut Ridge 3/	5	1998/99	148	2
Mosby Heights 3/	6	2004	112	NA
Holly Court	7	1974	85	1
Oak Hill	8	1974	48	1
Waterford (Subtotal)	9	1999	<u>10</u> (403)	<u>0</u> (4)
Total			<u>1,085</u>	<u>21</u>
Percent Vacant				2.0%
<p>1/ These units represent the non-student units at this predominantly student apartment complex. 2/ Scattered townhouse units. 3/ Tax credit property.</p> <p>Source: S. Patz & Assoc., Inc. Field and Telephone Survey.</p>				

Vacancy Rates

The vacancy rate for the 1,085 apartment units shown in Table 32 is 2.0 percent. However, almost all of the vacant units are at Park Apartments, a 30-year-old property that has historically had vacant units. Without Park Apartments, the competitive apartment market is “full”. The Greens is 100 percent occupied and is always at this level. Typically, there is a waiting list at this complex. A few area property management companies lease and manage most of the townhouses for rent. This market is also full, although there are probably some townhouse rentals available by individual owners. Most of the other properties are also at (or near) 100 percent occupancy except for two vacant units at Chestnut Ridge.

In the early-2000’s there was a large oversupply of apartments catering to students. Development of condominium units for students aggravated the market for rental student units. Both markets are largely distinct, and only a few of the apartment complexes that attract students also attract young professionals and/or families. Since the early-2000’s, apartments catering to students have also turned to other markets, such as the emergent immigrant population who can utilize the large numbers of bedrooms in student apartments, and the oversupply of student apartments has been reduced (see below).

Apartment Net Rents

Data in Table 33 show net rents at each of the apartment complexes under study. Net rents include cold water, sewer and trash collection but exclude gas heat and electricity costs. Only Park Apartments includes other utilities in the rent; those costs have been removed from the data in Table 33. These data show current rents of up to \$800 for a two-bedroom/two bath model and \$925 for a three-bedroom/two bath apartment. The eight units rented to young professionals at Pheasant Run and Devon Village are priced at \$1,080 to \$1,180. Several apartments have been averaging rent increases of three percent to five percent per year since 2001 – Park Apartments,

Longview Oaks, and Chestnut Ridge. Increases at the Greens and Oak Hill have been more modest, at about two percent to three percent per year.

Table 33. Net Monthly Rents By Bedroom Type, Competitive Apartments, Harrisonburg, Virginia, Fall 2004

Bedrooms/Baths	<u>One</u>	<u>Two/One</u>	<u>Two/Two</u>	<u>Three</u>
Better Properties				
The Greens	\$635	\$720	\$745	\$780
Park Apartments	\$609 1/	\$689	--	\$809
Longview Oaks	\$535	\$625-\$645	\$665-\$685	\$715
Pheasant R./Devon V. 2/	--	--	--	\$1,080-\$1,180
Townhouses (Range)	(\$535-\$609)	(\$550-\$750)	(\$650-\$800)	(\$715-\$1,180)
Mature/Modest				
Chestnut Ridge	--	\$580	--	\$709
Holly Court	\$460	\$575	--	--
Oak Hill	--	\$525	--	--
(Range)	(\$460)	(\$525-\$580)	(--)	(\$709)
Range, All Units	\$460-\$609	\$525-\$750	\$650-\$800	\$709-\$1,180
1/ Efficiencies.				
2/ Four-bedroom townhouses.				
Source: S. Patz & Assoc., Inc. Field and Telephone Survey.				

Student Apartments

In Section II it was estimated that about 55 percent of all college students in Harrisonburg – primarily from JMU – live in private households off-campus. These students are served by a large number of rental apartment complexes that cater especially to students, providing both furnished and unfurnished apartments. There are 6,500 beds in apartments providing furnished units, and 1,400 beds in apartments that are unfurnished, for a total of 7,900 beds in these apartments. Thus, they account

for over 75 percent of the off-campus housing for college students in Harrisonburg. Another 2,200 students live in traditional apartments off-campus. Recently developed (2000-2001) student apartments include the following, which greatly aggravated a then-overbuilt market (source: JMU):

	<u>Student Units</u>	<u>Student Beds</u>
Pheasant Run	40	160
Stone Gate	10	40
Fox Hill	15	60
Sun Chase	<u>192</u>	<u>768</u>
Total	257	1,028

Furnished Apartments

Table 34 lists those complexes that provide furnished units. While leases are by the unit, as normal, JMU provides rental data for its students on a per-bed basis. The following chart summarizes Table 34.

<u>Furnished Bedroom Type</u>	<u>Units</u>	<u>Beds</u>	<u>Average Gross Rent/Bed</u>	<u>Average Net Rent</u>
One Bedroom	178	178	\$390 - \$470	\$428
Two Bedrooms	125	250	\$295 - \$364	\$333
Three Bedrooms	64	192	\$235 - \$230	\$234
Four Bedrooms	1,476	5,904	\$287 - \$332	\$307
Five Bedrooms	<u>21</u>	<u>105</u>	\$238	\$239
All Units	1,864	6,523	\$282 - \$349	\$308

- The chart indicates that these complexes provide 6,500 beds in 1,900 units, or an average of 3.5 beds (bedrooms) per apartment unit. Nearly 80 percent of the units are four bedroom apartments. Over 600 four-bedroom units have one bath per bedroom. Most units have two baths.

Table 34. Characteristics Of Apartment Properties That Cater Furnished Units To Students, Harrisonburg, Virginia, Fall 2004

<u>Property</u>	<u>Number Of Units</u>	<u>Type (BR/Ba)</u>	<u>No. Of Beds</u>	<u>Rent per Bed</u>	<u>Utilities Included 1/</u>
Ashby Crossing	288	4/2	1,152	\$310 - \$340	W,C,P
Campus Condos	12	3/2	36	\$235	
Campus Condos	<u>9</u>	5/2	45	\$225	
	21				None
The Commons	131	4/2	524	\$300 - \$320	W,C,P
Duke Gardens	7	3/2.5	21	\$250	None
Dutch Mill Court	60	1/1	60	\$385 - \$425	W
Foxhill Townhomes	102	4/2	408	\$325 - \$335	None
Grand Duke Apts.	118	1/1	118	\$395 - \$515	W
Hunters Ridge Condos	76	2/1	152	\$325 - \$375	
Hunters Ridge Condos	<u>33</u>	4/2	132	\$200	
	109				None
Hunters Ridge Lofts	12	5/3	60	\$250	None
Hunters Ridge Towns	70	4/2	280	\$225 - \$375	None
Madison Gardens	12	3/2	36	\$250	None
Madison Manor	35	2/2	70	\$285 - \$352	
Madison Manor	<u>30</u>	3/2	90	\$220 - \$230	
	65				None
Madison Square	14	2/2.5	28	\$275	
Madison Square	<u>3</u>	3/2.5	9	\$220	
	17				None
Mountain View Heights	24	4/4	96	\$275	W
The Mill	119	4/2	476	\$290 - \$305	W,C,P
Pheasant Run Townhomes	100	4/2.5	400	\$270 - \$295	None
Roosevelt Square	11	4/2	44	\$275	None
South View Apts	239	4/4	956	\$326 - \$336	W,C,P
Stone Gate	167	4/4.5	668	\$335 - \$345	W,C,P
Sunchase	192	4/4	768	\$315 - \$340	W
Total/Average	<u>1,864</u>		<u>6,523</u>	\$282 - \$349	

1/ Water (W), cable (C), local phone (P), gas (G), electric (E), heat (H).

Source: James Madison University Undergraduate Housing Directory, Spring 2004

- Most complexes include only water utility cost in the rent. Five complexes also include cable TV and local phone; these are all for four bedroom units. No other utilities are included in rents.
- The average monthly rent is \$308 per furnished bed, net of cable and phone, with a range from \$200 to \$350 per bed. One-bedroom units average \$428 per bed. The average apartment unit rents for \$1,100 per month, net. The range is from \$428 for one bedrooms, \$665 to \$700 for two and three bedrooms, and \$1,200 for four and five bedrooms.

Several of these student apartments have been mentioned previously in this report in other contexts. Pheasant Run includes for-sale attached homes as well as the rental apartments for students. Hunters Ridge includes a mature condominium that is largely rental for student apartments. Most of these apartments are located in the vicinity of James Madison University.

Unfurnished Apartments

Apartment complexes catering to students with unfurnished apartments are generally traditional apartments, as indicated by the fact that nearly half of the units are two bedroom units. Fifteen percent are one bedroom and 21 percent are three bedroom units. Only 17 percent are four and five bedroom units. The average number of beds per unit is 2.5, compared to 3.5 for furnished units. One of the two large projects, Harris Gardens, includes gas and electric in the rent. Rents net of utilities are higher than for furnished units. They average \$384 per bed, compared to \$308 for furnished apartments.

<u>Furnished Units</u> <u>Bedroom Type</u>	<u>Units</u>	<u>Beds</u>	<u>Average Gross</u> <u>Rent per Bed</u>	<u>Average</u> <u>Net Rent</u>
One Bedroom	84	84	\$488 - \$477	\$476
Two Bedrooms	269	538	\$397 - \$545	\$392
Three Bedrooms	118	354	\$388 - \$572	\$422
Four Bedrooms	60	240	\$290 - \$340	\$315
Five Bedrooms	<u>34</u>	<u>170</u>	\$320 - \$340	\$330
All Units	565	1,386	\$394 - \$470	\$384

As with furnished units, the practice of pricing units by the “bed” (generally equivalent to “bedroom”) downplays the actual total rent per unit. It was shown in Section III that the total unit rents for student apartments are quite high, and thus the combined income of the resident students could be sizeable. The fact that unfurnished apartments for students have higher rent per bed on average, but fewer average number of beds per unit, means that the average rent per unit at furnished apartments – at \$1,100 per month – is the same as for furnished apartments. Unfurnished student complexes are listed in Table 35.

Table 35. <u>Characteristics Of Apartment Properties That Cater Unfurnished Units To Students, Harrisonburg, Fall 2004</u>					
<u>Property</u>	<u>Number of Units</u>	<u>Type (BR/Ba)</u>	<u>No. Of Beds</u>	<u>Rent per Bed</u>	<u>Utilities Included 1/</u>
Squire Hill	42	1/1	42	\$560	
	129	2/1.5	258	\$325	
	<u>48</u>	3/1.5	<u>144</u>	\$345	
	219		444		T
Devon Lane Towns	10	3/3.5	30	\$330	none
Forest Hills Manor THs	60	4/4.5	240	\$290 - \$340	none
Harris Gardens	42	1/1	42	\$416 - \$477	
	98	2/1	196	\$470 - \$539	
	<u>60</u>	3/1.5	<u>180</u>	\$490 - \$572	
	200		688		W,G,E
Madison Terrace	42	2/1	84	\$395 - \$550	W, heat
Village at Forest Hill THs	34	5/2.5	170	\$320 - \$340	none
Total	<u>565</u>		<u>1,386</u>	\$394 - \$470	

1/ Water (W), cable (C), local phone (P), gas (G), electric (E), heat (H)

Source: James Madison University Undergraduate Housing Directory, Spring 2004

Vacancy Rates

While the apartment market that does not market to undergraduate students has historically been full, the student apartment market had a 12.5 vacancy rate in 2002, with a reported 1,000 beds available and unoccupied. In 1999, several large apartment complexes for students opened. In the 2000/01 school year, 1,700± beds (or 450 to 550 apartment units) for JMU students were reported by S. Patz & Assoc. to be vacant and available. This total had been reduced to 1,000± beds in 2001/02, as student enrollments increased, and as a number of mature former student apartment units were taken off the market and made available for very moderate-income poultry and construction workers who previously occupied less attractive or more crowded housing.

The vacancy rate is estimated to have been reduced to about seven percent two years ago and to as low as less than five percent today. Absorption of the overhang of available student apartments is reported to have come from a variety of sources: a small increase in JMU student enrollments; occupancy by some students from Bridgewater College; transfer of students from conventional apartments; and re-positioning of some units for the continuing immigrant market, as noted above.

Students in Conventional Apartments

Table 36 summarizes data on the type of apartment unit (by number of bedrooms), and numbers and average rents of units by type. The table provides an estimate of the residency of students in conventional apartment units. Conventional apartments accommodate about 1,100 (30 percent) of all student households in private off-campus apartments.

Table 36. Estimated Numbers of Apartments Rented By College Students, By Type and Rent, Harrisonburg, Virginia, 2005

<u>Apt. Unit Type</u>	<u>Furnished Students Units</u>		<u>Unfurnished Students Units</u>		<u>Traditional Apartments</u>		<u>All Student Households and Ave. Rent per Unit and Bed</u>		
	<u>No.</u>	<u>Rent 1/</u>	<u>No.</u>	<u>Rent 1/</u>	<u>No.</u>	<u>Rent 2/</u>	<u>No.</u>	<u>Per Unit</u>	<u>Per Bed</u>
1 BR	178	\$478	84	\$476	203	\$572	465	\$518	\$518
2 BR	125	\$333	269	\$392	691	\$652	1,085	\$686	\$343
3 BR	64	\$234	118	\$422	237	\$798	419	\$917	\$306
4 BR	1,476	\$307	60	\$315	--	--	1,536	\$1,229	\$307
5 BR	<u>21</u>	\$239	<u>34</u>	\$330	<u>--</u>	<u>--</u>	<u>55</u>	\$1,476	\$295
Total	1,864		565		1,131		3,560		
Ave. Size & Rent	3.6	\$322	2.5	\$399	2.0	\$668	2.9	\$940	\$345

1/ Net rent per month per bed.
2/ Net rent per month per unit.

Source: See Section VII.

Subsidized Housing

There are an estimated 1,500 subsidized housing units in the City of Harrisonburg to serve the low and moderate income, disabled, and elderly populations. This subsidized inventory is based on a number of program sources, the largest being the Section 8 program. However, that program could soon be in a state of flux, as units authorized in the 1975 to 1985 period could begin to be converted to market rate units at program maturity, as the law allows. In addition there are 550 Section 8 housing choice vouchers authorized, and housing programs operated by small non-profit organizations. The City's subsidized inventory is summarized in the following chart and described in the paragraphs to follow, along with other current policy initiatives:

<u>Type of Subsidized Unit</u>	<u>Number</u>
Public housing	100
Section 8 apartment units	1,060
Federal LIHTC affordable apartments	<u>320</u>
Subsidized apartment units	1,480

- Housing Choice Vouchers. HRHA pays the difference between the fair market rent of voucher-holding tenants, and 30 percent of their adjusted monthly income. All vouchers have been applied at this time. Section 8 staffing has been increased. Eligibility for families or elderly is set at 50 percent or less of area median income. These vouchers can be used in Harrisonburg or Rockingham County.

Previous Number	400
Vouchers Added	<u>143</u>
Total Housing Choice	553

- 100 Public Housing Units. The public housing stock is now 40 years old and in need of improvements. It will be the subject of improvements through the Capital Grants program (see below). Rents in HRHA public housing units are set at 30 percent of tenants' adjusted monthly income. Eligibility for families or elderly is fixed at 50 percent or less of area median income. The two project locations in Harrisonburg are:
 - Kelley and Tower streets (Harrison Heights, Lincoln Circle area)
 - Reservoir and Myers streets (Franklin Heights)
- Capital Grants. The goal is to renovate all public housing units at \$80,000 per unit. This cost not too different from new construction but better quality. Projects will be phased-in, beginning with \$3.2 million for 47 units at Lincoln Circle. To date HUD has been enabled to provide up to \$184,000 per year for capital improvements to public housing and other social facilities in Harrisonburg.

Redevelopment generally means reducing density. The strategy for public housing renovation is to purchase existing units, renovate them (at a lowered density, if possible), move public housing tenants in temporarily, use Section 8 project-based Vouchers to make financing available, renovate the public housing, and move the tenants back in.

Public housing units are 40+ years old, with baths on the upper floor, so there are reconstruction issues in renovation, particularly with reference to elderly tenants; consequently, there may be a need to add one-level units

- J. R. “Polly” Lineweaver Apartments. This is a new construction Section 8 project, with 62 units for the elderly: refinanced, renovated interiors; HRHA owns and operates this facility. The facility has 47 efficiencies and 15 one-bedroom apartments. It is located two blocks north of Court Square (265 North Main Street). Eligibility is for elderly aged 62+ or the disabled at 80 percent or less of area median income. HUD establishes contract rents for the apartments and pays HRHA the difference between the contract rents and 30 percent of the adjusted incomes of tenants. The facility was built in 1980.
- 60 Tax Credit Units (Lineweaver “Annex”), at 265 North Main Street two blocks north of Court Square. Eligibility is for elderly at age 62+ or disabled at 60 percent or less of area median income. These are one-bedroom units, developed under the federal Low Income Housing Tax Credit (LIHTC) program. The units rent at \$325 per month, including all utilities. The tenants are required to pay these rents in full.
- State Lease-purchase Program: \$4.0 million in bonds, available state-wide through the Housing Corporation of the VHDA. VHDA bought homes across the state, for lease-purchase, 11 in Harrisonburg. HRHA may continue/expand this program depending on demand.
- Hope Community Builders: \$150,000 interest-free land given for a hill-top site in the City for homes; 11 already built on Kelly Street. HCB can build up to 144 units just outside the City (Covenant Heights, south of the City); 44 duplexes will be the first phase.
- Local Homeownership Development Loan Program: This program seeks to support the production of housing through grants, construction loans to non-profits, and other sources, to build homes to sell to moderate-income families. HRHA then uses its Residential Mortgage Loan Program to participate in permanent financing. Buyers must have incomes below 80 percent of the median. Funding for this program from HRHA has been in the amount of \$100,000 each year since 1992.
- Valley Housing Alliance. This is a “core housing group” created in 2002 as an incorporated partnership of existing community housing programs, to collaborate on programs for affordable, standard housing in the Harrisonburg/Rockingham County area. The Alliance is looking for a \$300-\$400 million grant. Members of the Alliance include:
 - o HRHA
 - o Hope Community Builders (above)
 - o Rebuild Harrisonburg/Rockingham County

- o Central Virginia Habitat for Humanity
- Tax-exempt Bond Program can be used to finance public facilities and residential projects. In Harrisonburg it has been used to finance certain local government developments, and it has been used to finance multi-family housing developments. The program may be used by HRHA in other jurisdictions as well as in Harrisonburg. For the multi-family residential projects, there is a requirement that there be a 40 percent set-aside for low to moderate income tenants. HRHA receives origination and monitoring fees for such projects.
- Other project initiatives:
 - o Reservoir Street area, where Franklin Heights is, a prime area for projects.
 - o Tower Street home ownership project
 - o HRHA is to contract to purchase units opposite its offices for a mix of lease/purchase/disabilities units. A variance is needed from current commercial zoning.
- Low Income Housing Tax Credits. The LIHTC program provides credits against taxes for developing rental housing at affordable rents, generally at 30 percent to 60 percent of the official area median income, with tax credits set accordingly. There are currently 358 tax credit apartment units in Harrisonburg and Rockingham County; 320 of those units are in Harrisonburg (see Table 37).

Table 37. Number Of New Apartment Units Financed Through Low Income Housing Tax Credits, Harrisonburg And Rockingham County, Virginia, 1994-2004

<u>Sponsor</u>	<u>Project Name</u>	<u>Location</u>	<u>Units</u>	<u>Credit Year</u>
National Housing Corp. 1/	Madison Ridge	Harrisonburg	100	1996
National Housing Corp. 1/	Madison Ridge II	Harrisonburg	48	1997
Property Management Corp.	Springbrook Place	Rockingham Co.	38	1998
Harrisonburg RHA	Lineweaver Annex	Harrisonburg	60	1993
AHD, Inc.	Mosby Heights ^{1/}	Harrisonburg	<u>112</u>	2004
Total			358	

1/ Now Chestnut Ridge.

Source: Virginia Housing Development Authority

- Waiting lists. As of March 2003, there were 380 persons on waiting lists for Section 8 and public housing units, and Section 8 vouchers, including possible double-counting of persons on more than one list. This represented a demand of 25 percent above capacity of the existing inventory. Actual eligibility may significantly exceed this formal waiting list.

<u>Waiting List</u>	<u>Number</u>
Section 8 Voucher program (Nov 02)	221
Public housing (Dec 2002)	118
Lineweaver Section 8 Elderly	<u>41</u>
Total 1/	380
1/ May include duplications.	

Summary

Other than student apartments, there has been no new market rate apartment complex built in Harrisonburg since 2000. The only units constructed have been subsidized, including the Lucy Lineweaver seniors project and the Mosby Heights tax credit property. By the end of 2004 there were an estimated 6,500 multi-family units, nearly all rentals, of which 23 percent are subsidized units and 38 percent cater expressly to college students.

<u>Type of Unit</u>	<u>Number</u>
Subsidized Units	1,480
Student Apartments	2,429
Better Conventional	1,085
All Other Multi-family	<u>1,480</u>
Total Multi-family	6,474

Section VI. New Housing Construction

This section supplements previous sections on recent subdivision activity by reporting Multiple Listing Service (MLS) home sales data in the Harrisonburg Market Area. These data will provide a more comprehensive count of numbers of homes built outside of as well as inside the larger formal subdivisions that were surveyed. These data will be important in basing estimates of the current (2005) housing inventory in Harrisonburg.

Market Area Overview

There were over 1,500 sales of new single family homes in the Harrisonburg-Rockingham County market area between 2000 and the end of 2003, according to the Multiple Listing Service data maintained by the Harrisonburg-Rockingham Association of Realtors, Inc. Approximately 400 new sales were made in the first half of 2004. In total it is estimated that 2,300 new single family homes will have been developed over the 2000 to 2004 period, including some attached units purchased by investors as rental units. This chart summarizes these MLS sales for the City, and compares them with the subdivision surveys of this report and of the previous market research by SPA:

<u>New Single Family Sales</u>	<u>Survey 1999</u>	<u>2005 Subdivision Sales</u>			<u>MLS 2000-2004</u>	<u>Total % of MLS</u>
		<u>Survey</u>	<u>Infill</u>	<u>Total</u>		
Detached Units	258	153	335	488	543	90%
Attached Units	<u>254</u>	<u>583</u>	=	<u>583</u>	<u>686</u>	85%
Total New Units	512	736	335	1,071	1,229	87%

These data show two things: first, that the subdivision mix of detached and attached units has changed somewhat since 1999, with increasing shares of attached units; and, second, that the 2004 survey plus infill subdivision activity captured 87 percent of the total unit sales, as determined from MLS data. Data will show that those not included in the survey of subdivisions tend to be the higher priced units. The

paragraphs to follow summarize the types and locations of these sales. Details for Harrisonburg and Rockingham County individually are presented in subsequent parts of this section.

New Sales by Area and Type

MLS sales data are reported by seven geographical areas, the City of Harrisonburg and six areas within Rockingham County. Areas in the County are identified by MLS with respect to the two major highways crossing the market area, I-81 running north-south, and U.S. Rt. 33 running east-west. The greatest amount of sales activity in the County in the 2000 to 2004 period has been in the SE area, denoted as Port Republic, where about 30 percent of the County detached unit sales and almost 80 percent of the County attached unit sales have been occurring. This is a rapidly suburbanizing area of the County adjacent to Harrisonburg.

The data presented in Table 38, below, include estimates of new sales for 2004 in addition to new sales reported by MLS for 2000 through 2003 (MLS does not tally new sales and re-sales; this was done by the consultant). The sales of new units represent 1,200 homes in Harrisonburg, and 1,100 homes in Rockingham County -- projected through the end of 2004. These MLS-based data for 2000-2004 are summarized in Table 38, about which the following observations can be made:

- Harrisonburg had slightly more than half (53 percent) of the sales of new units. Sales of new detached homes outnumbered sales of new attached homes 1,400 units to 900 units, respectively. However, in Harrisonburg new attached units outnumbered new detached units by nearly 150 homes. In Rockingham County almost 90 percent of sales were detached homes.
- Detached homes sales accounted for 60 percent of sales of all new homes. There were almost 1,400 new detached homes sold during the period, 540 (40 percent) in Harrisonburg. Of the more than 900 sales of new attached homes, almost 700 (over 70 percent) were in Harrisonburg.

Table 38. MLS Sales of New Single Family Units, By Type of Unit, Harrisonburg and Rockingham County, Virginia, 2000 to 2004 1/

<u>Type of Single Family Home</u>	<u>Harrisonburg</u>	<u>Rockingham County</u>	<u>Total Market Area</u>
Detached Units	543	840	1,383
Attached Units	686	250	936
Total New Units	1,229	1,090	2,319

1/ Includes estimates for the full year 2004.

Source: Harrisonburg-Rockingham Association of Realtors, Inc.

Harrisonburg Home Sales Activity

The presentation to follow will detail development and new sales activity for single family homes in Harrisonburg, both detached and attached. These are aggregated MLS data. This will be supplemented by similar treatment of recent new housing sales in Rockingham County.

Single Family Detached Homes

Sales of new single family homes have been increasing in Harrisonburg since 2000. Through 2003 they have averaged about 90 homes per year, but an annual pace of twice that rate - 190 units - is estimated for 2004. Table 39 breaks out total sales by price range and year sold. The price range tabulations are approximate, based on MLS computer output. Only 35 new single family detached units have been developed and sold in the defined "affordable" price range of \$100,000 to \$125,000 between 2000 and 2004, as is evidenced in Table 39. That is, there has been only a 35-unit addition to the affordable inventory of detached homes in Harrisonburg in recent years -- none at all in 2003 and only an estimated six units in 2004. Sales of affordable homes during this

period were almost entirely re-sales (not shown); only six percent were sales of new homes under \$125,000. The percent distribution of units by price range is as follows:

<u>Price Range</u>	<u>Percent</u>
Under \$75,000	0.0%
\$75,000-\$99,900	0.0%
\$100,000-\$124,900	6.4%
\$125,000-\$149,000	21.1%
\$150,000-\$174,900	16.9%
\$175,000-\$199,900	17.8%
\$200,000 and Over	<u>37.9%</u>
Total	100.0%

At the other extreme, almost three out of four new units sold for \$150,000 or more – 17 percent of the new units sold for \$150,000 to \$174,000, 18 percent for \$175,000 to \$199,900, and 38 percent for \$200,000 and over. The table shows a clear trend over time toward higher priced units.

<u>Table 39. MLS New Unit Sales, Single Family Detached Homes, By Sales Price And Year Built, Harrisonburg, Virginia, 2000-2004</u>								
<u>Price By Year Built</u>	<u>Total</u>	<u><\$75K</u>	<u>\$75K-\$100K</u>	<u>\$100K-\$125K</u>	<u>\$125K-\$150K</u>	<u>\$150K-\$175K</u>	<u>\$175K-\$200K</u>	<u>\$200K+</u>
2000-01	170	0	0	19	52	24	24	52
2002	93	0	0	10	28	13	13	28
2003	91	0	0	0	13	33	20	26
2004 1/	<u>190</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>22</u>	<u>22</u>	<u>40</u>	<u>100</u>
Total	544	0	0	35	115	92	97	206

1/ 2004 new sales are estimated at the percentages of new sales to re-sales for 2000-2003 by price range. Total 2004 sales are estimated at twice the number sold between January and July.

Source: Harrisonburg-Rockingham Association of Realtors, Inc.

Note: Half of the homes priced \$200,000+ were estimates for 2004, an unprecedented year for detached home sales, but the estimate should not be considered definitive.

Single Family Attached Homes

Attached housing has been the primary way the private housing market has served the moderate income segment of housing demand. The attached unit gives up some lot and floor space, plus one or both side yards, in return for a reduced unit purchase price. The pace of sales for attached units - townhomes and duplexes - has increased dramatically each year since 2000-01, from 60 per year to 183 in 2003 and an estimated 256 in 2004. Table 40 indicates that the greatest increase has come in the \$100,000 to \$124,900 price range.

Attached homes in Harrisonburg fall largely within the price range defined above as “affordable,” that is, for which a first-time buyer with an income of \$40,000 or less could qualify. Table 40 shows that about 20 percent of the sales since 2000 were in the \$75,000 to \$100,000 range (first-time buyer incomes of \$25,000 to \$35,000), and almost 60 percent were in the \$100,000 to \$125,000 range (first-time buyer incomes of \$33,000 to \$43,000).

Table 40. New Unit Sales, Single Family Attached Homes, By Sales Price And Year Built, Harrisonburg, 2000-2004

<u>Year Built</u>	<u>Total</u>	<u><\$75K</u>	<u>\$75K- \$100K</u>	<u>\$100K- \$125K</u>	<u>\$125K- \$150K</u>	<u>\$150K- \$175K</u>	<u>\$175K- \$200K</u>	<u>\$200K+</u>
2000-2001	138	0	31	85	10	13	0	0
2002	111	0	18	61	22	2	2	6
2003	183	0	45	118	15	3	0	0
2004 1/	<u>256</u>	<u>0</u>	<u>42</u>	<u>128</u>	<u>24</u>	<u>40</u>	<u>6</u>	<u>16</u>
New Sales 1/	686	0	136	391	71	58	8	22

1/ 2004 new sales are estimated at the percentages for sales of re-sales for 2000-2003 by price range. Total 2004 sales are estimated at twice the number sold between January and July.

Source: Harrisonburg-Rockingham Association of Realtors, Inc.

Rockingham County Home Sales Activity

MLS data are provided here for all areas of Rockingham County, with the exception of the Massanutten resort. The MLS data excluding Massanutten provide coverage of 80 percent of the sales of new single family homes in Rockingham County, a total of 731 compared to 906 units identified by the County's building inspection division. Scattered custom homes, resort homes, infill development, and new homes in very small subdivisions should make up the balance of new homes in the County.

Single Family Detached Homes

About 30 percent of the home sales in the County since 2000 have been in the near southeast vicinity of Harrisonburg, including the Port Republic Road area. New homes in this area fall largely in the \$200,000+ price range. At a slightly greater distance, near Grottos, there are homes available in the \$75,000 to \$150,000 price range.

The annual sales pace in 2004 is estimated at three times the annual rate for 2000-2001 and 70 percent greater than 2003.

Table 41. New Unit Sales, Single Family Detached Homes, By Sales Price And Year Built, Rockingham County, Virginia, 2000-2004

<u>Price By Year Built</u>	<u>Total</u>	<u><\$75K</u>	<u>\$75K- \$100K</u>	<u>\$100K- \$125K</u>	<u>\$125K- \$150K</u>	<u>\$150K- \$175K</u>	<u>\$175K- \$200K</u>	<u>\$200K+</u>
2000-01	195	0	5	40	15	20	30	85
2002	167	0	0	5	37	10	21	94
2003	176	0	8	41	41	15	23	49
2004 1/	<u>302</u>	<u>0</u>	<u>2</u>	<u>28</u>	<u>40</u>	<u>20</u>	<u>42</u>	<u>170</u>
Total New Sales	840	0	15	114	133	65	115	398

1/ 2004 new and resales are estimated at the percentages for 2000-2003 by price range. Total 2004 sales are estimated at twice the number sold between January and July.

Source: Harrisonburg-Rockingham Association of Realtors, Inc.

In general, affordable single family homes are in short supply in Rockingham County. Since 2000 only 129 new homes (15 percent) have been sold in the under-\$125,000 price range. Another 133 new homes (16 percent) sold in the \$125,000 to \$149,900 price range. By comparison, fully 47 percent of all new homes – a total of 398 units – sold for \$200,000 or more. The overall pace of new sales has picked up dramatically since 2000: during 2000-2001 it averaged 93 units, increasing to 167 in 2002 and to 176 in 2003. These trends are shown in Table 41, particularly the movement toward higher priced units.

Single Family Attached Homes

Most attached home development and sales in Rockingham County have been in the vicinity of Harrisonburg. Of a total of 250 such sales since 2000, nearly 200, or 80 percent, have occurred in the Port Republic area, particularly on access roads connecting

to Port Republic Road just outside the City and proximate to James Madison University. A small number of sales have occurred in the southwest toward Bridgewater and Dayton. Sales of attached units are shown in Table 42.

Table 42. <u>New Unit Sales And Resales, Single Family Attached Homes, By Sales Price And Year Built, Rockingham County, Virginia, 2000-2004</u>								
<u>Price By</u> <u>Year Built</u>	<u>Total</u>	<u><\$75K</u>	<u>\$75K-</u> <u>\$100K</u>	<u>\$100K-</u> <u>\$125K</u>	<u>\$125K-</u> <u>\$150K</u>	<u>\$150K-</u> <u>\$175K</u>	<u>\$175K-</u> <u>\$200K</u>	<u>\$200K+</u>
<u>New Units</u>								
2000-2001	66	0	0	40	13	4	9	0
2002	62	0	0	37	12	4	8	0
2003	49	0	0	31	7	4	5	2
2004 1/	<u>72</u>	<u>0</u>	<u>0</u>	<u>48</u>	<u>12</u>	<u>6</u>	<u>4</u>	<u>2</u>
Total New	250	0	0	156	44	19	26	4
1/ 2004 new sales are estimated at the percentages sales and re-sales for 2000-2003 by price range. Total 2004 sales are estimated at twice the number sold between January and July.								
Source: Harrisonburg-Rockingham Association of Realtors, Inc.								

No new attached units have sold in the County in the range of less than \$100,000, and 62 percent have sold in the mid-range price category, \$100,000 to \$124,900. The sales pace through the end of 2003 was 64 units per year; the sales pace for 2004 is estimated at 72 units.

Summary of New Sales

This section has presented a breakdown of new home sales in Harrisonburg and Rockingham County between 2000 and 2004 based on Multiple Listing Service (MLS) data. These housing unit changes indicate the manner in which the housing market has responded to household demand for new housing. Summaries of the findings from the MLS data follow below.

New Single Family Homes

Table 36 summarizes the data presented in this section, showing a total of 2,300 new units constructed during and after 2000, according to the MLS. MLS coverage should be fairly complete in Harrisonburg. Coverage in Rockingham County is less complete, due to the significant number of custom lots developed there. Some highlights of Table 36 are the following:

- About 11 percent of detached units are in the under \$125,000 affordable price range in the market area; the rate in Harrisonburg is even less (6.5 percent). However, affordable attached units constitute 77 percent of the new attached inventory in the City; units in that price range added in the County were 62 percent of all attached units.
- Over 200 new homes in the City were priced at over \$200,000 between 2000 and 2004. However, these include 100 units in 2004, which is rough estimate at best. Only 50 of these sales occurred in the larger subdivisions, including those surveyed and other older subdivision buildout activity. Thus, as many as three-quarters of the highest priced homes in the City are sales of custom homes on infill lots.
- Fifty-six percent of the new units added in the City were attached units, compared to 23 percent in the County. The City's affordable attached units accounted for over 60 percent of all new affordable units in the market area. Conversely, the County's high priced homes (\$200,000 and over) accounted for over 60 percent of all high priced units in the market area.
- There is a disparity between the MLS data and the survey data by price range. The survey found 185 homes sold at prices below \$100,000 in the City, compared to 136 such sales in the MLS data. Some lower priced subdivisions may not have utilized the MLS service. In addition, the survey data may include list prices (which later escalated) as opposed to closing prices as for the MLS data. An average of 161 homes has been assumed for this price range.

Table 36. Summary of New Home Construction, Harrisonburg and Rockingham County Market Area, Virginia, 2000-2004 (constant \$2004) 1/

<u>Type and Price Range</u>	<u>Harrison- Burg 2/</u>	<u>Rockingham County</u>	<u>Total Market Area</u>
Single Family Detached			
Under \$100,000	0	15	15
\$100,000-\$125,000	35	114	149
\$125,000-\$150,000	115	133	248
\$150,000-\$200,000	189	180	369
\$200,000 and Over 1/	<u>206</u>	<u>398</u>	<u>604</u>
Subtotal, Detached	543	840	1,383
<u>Single Family Attached</u>			
Under \$100,000	136	0	136
\$100,000-\$125,000	391	156	547
\$125,000-\$150,000	71	44	115
\$150,000-\$200,000	66	45	111
\$200,000 and Over	<u>22</u>	<u>4</u>	<u>26</u>
Subtotal, Attached	686	250	936
<u>All Single Family</u>			
Under \$100,000	136	15	151
\$100,000-\$125,000	426	270	696
\$125,000-\$150,000	186	177	363
\$150,000-\$200,000	255	225	480
\$200,000 and Over	<u>228</u>	<u>402</u>	<u>630</u>
Total, Single Family	1,229	1,090	2,319

1/ Includes estimates for the fall-winter of 2004.

2/ Excludes custom homes on individual lots and Pheasant Run rental townhomes.

Source: Harrisonburg-Rockingham Assoc. of Realtors; S. Patz & Assoc., Inc.

First-time Buyer Income

For first time buyers, qualifying incomes are usually based on a ratio of income to (closing) purchase price of roughly 35 percent, which would qualify first time buyers at a gross rate of seven percent for principle, interest, taxes and insurance (PITI). New

units in the \$100,000 to \$125,000 affordable price range would require annual incomes of at least \$30,000 to \$40,000. Buyers with equity can purchase with a lower income-to-home price ratio than can buyers without equity.

Current Housing Inventory

The paragraphs to follow further document trends in the provision of housing by the market. The method is to establish the components of change in the housing inventory, based on the MLS and survey data, and to apply these to the 2000 stock to produce estimates for 2005.

Components of Housing Change

Estimates for 2005 in Harrisonburg are based on actual development activity, as reported previously. The first step is the identification of components of change in the housing inventory over the 2000 through 2004 period, as follows, and shown in Table 37:

Single Family Detached Units: Multiple Listing Service (MLS) data were used to establish the number of new single family detached homes between 2000 and 2003. Total sales to date for 2004 are adjusted to new unit sales based on 2000-2003 experience. Lots sold in subdivisions, and unsold inventory in subdivisions, are added, to give a total of over 600 new single family detached (SFD) units.

Single Family Attached. The methodology for single family attached (SFA) units, including townhouses and duplexes, was identical to that for SFD, except that there is no sale of lots for custom development; all units are presumed speculative (or pre-sold) and included in the sales inventory. The 103 new rental attached units at Pheasant Run are included.

Multi-family. Multi-family units include rental apartments and condominiums, owner-occupied or rented. The numbers of units presented below are for specific projects identified previously, plus new student units built in the early 2000's.

Other Changes to the Inventory. The housing stock generally loses units through various forms of attrition, such as demolitions, conversions to non-residential use, or withdrawal from the market. Withdrawals may be temporary, as for renovations. During the 1990's 466 more units were built in Harrisonburg than are accounted for by the net change between the 1990 and 2000 censuses, indicating a loss of 466 units - or about 4.2 percent - of the 1990 housing stock.

Table 37. Components of Housing Inventory Change, By Type of Unit, Harrisonburg, Virginia, 2000-2004

	<u>Detached</u>	<u>Attached</u>	<u>Multi-family</u>	<u>Total</u>
New Units Sold (MLS/Survey)	544	789 1/	353 2/	1,686
Custom Lots/Unsold Inventory	<u>103</u>	<u>61</u>	<u>--</u>	<u>164</u>
Total New Units	647	850	353	1,850
Owner Units	647	610	--	1,257
Renter Units	<u>--</u>	<u>240</u> 3/	<u>353</u>	<u>593</u>
Total Units	647	850	353	1,850
Change in Existing Inventory 4/	<u>-109</u>	<u>-50</u>	<u>-122</u>	<u>-281</u>
Net Inventory Change	538	800	231	1,569

1/ 686 MLS townhouse sales, plus 103 Pheasant Run rental townhouses.

2/ Millwood Condominiums, Mosby Heights, and 217 student units (excluding Pheasant Run).

3/ 686 MLS townhouse sales at 20 percent rental, plus 103 Pheasant Run rental townhouses.

4/ At 2.1 percent of the existing occupied stock for five years, at the annual rate for 1990 to 1999.

Source: S. Patz & Assoc., Inc.

Estimate of Current Inventory

Addition of the components of inventory change to the 2000 housing stock in the City produces an estimate of the current (2005) housing inventory in the City, as presented in Table 38. A review of the table underscores the fact that most of the increase in the housing stock has been in single family units, with little change in the multi-family inventory, a reversal of the trends of the 1990's.

Table 38. Numbers Of Dwelling Units By Type, Harrisonburg And Rockingham County, Virginia, 2000-2005

<u>Housing Type</u>	<u>1990</u>		<u>2000</u>		<u>2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Harrisonburg</u>						
Single Family Detached	4,600	42.2%	5,200	38.0%	5,740	37.7%
SFA, Two Units	1,700	15.6%	2,390	17.4%	3,180	20.9%
Multifamily 3+ DU	4,200	38.5%	5,790	42.3%	6,020	39.5%
Mobile Homes, etc.	<u>400</u>	<u>3.7%</u>	<u>310</u>	<u>2.3%</u>	<u>300</u>	<u>1.9%</u>
Total	10,900	100.0%	13,690	100.0%	15,240	100.0%
<u>Rockingham Co.</u>						
Single Family Detached	17,250	76.3%	20,810	76.1%	22,710	76.0%
SFA, Two Units	810	3.5%	1,190	4.4%	1,810	6.1%
Multifamily 3+ DU	1,190	5.3%	1,970	7.2%	2,070	6.9%
Mobile Homes, etc.	<u>3,360</u>	<u>14.9%</u>	<u>3,360</u>	<u>12.3%</u>	<u>3,310</u>	<u>11.0%</u>
Total	22,610	100.0%	27,330	100.0%	29,900	100.0%

Source: 1990 and 2000 U.S. Census of Housing, Comprehensive Plan 2004 Update, City of Harrisonburg, and S. Patz & Assoc., Inc.

Estimates By Tenure

The following table gives a reconciliation between all changes in occupied units over the 2000 to 2004 period. Total new units by tenure are from the MLS and survey data, net of unsold inventory (although a correction is taken for current vacancies over the period). A correction is also taken for changes in the existing inventory over the period, based on rates for the 1990 to 1999 data (unlike the losses above, these do not include existing vacant units). The results give 938 new owner occupied units and 586 new renter occupied units over the 2000 to 2005 period.

Table 39. Net Change in the Number of Occupied Dwelling Units, By Tenure, Harrisonburg, Virginia, 2000-2004

	<u>Owner Units</u>	<u>Renter Units</u>	<u>Total Units</u>
Total New Units Sold/Rental 1/	1,110	570	1,680
Less: Vacancies 2/	<u>-20</u>	<u>-10</u>	<u>-30</u>
Occupied New Units	1,090	560	1,650
Change in Existing Occupancies 3/	<u>-150</u>	<u>20</u>	<u>-130</u>
Total Net New Occupancies	940	580	1,520

1/ Excludes unsold inventory.
2/ Single family vacancies at 1.6%, multi-family vacancies at 2.2 percent.
3/ Excluding vacancies in new units; owner at -3.0 percent, renter at +0.3 percent (net conversions over withdrawals).

Source: S. Patz & Assoc., Inc.

In Table 40 the data above from Table 39 for new units between 2000 and 2005 are applied to units existing in 2000 to provide estimates for occupancies and vacancies in 2005. The estimates show continuance of the very low vacancy rates in Harrisonburg, indicative of a very “tight” housing market. The low incidence of development of new multi-family rental apartments since 2000 shows up in a reversal of previous trends for increased renter-occupied units, to 59 percent renter, almost the level in 1990, and down from 61 percent renter in 2000.

Table 40. Occupancy And Tenure Status Of Dwelling Units, Harrisonburg, Virginia, 1990-2005

	<u>Units In 1990</u>		<u>Units In 2000</u>		<u>Units In 2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Occupancy Status</u>						
Total Housing Units	<u>10,900</u>	<u>100%</u>	<u>13,710</u>	<u>100%</u>	<u>15,250</u>	<u>100%</u>
Occupied Housing Units	10,310	95%	13,150	96%	14,680	97%
Vacant Housing Units	590	5%	560	4%	570	3%
<u>Tenure Status</u>						
Occupied Housing Units	<u>10,310</u>	<u>100%</u>	<u>13,150</u>	<u>100%</u>	<u>14,680</u>	<u>100%</u>
Owner-Occupied Units	4,340	42%	5,130	39%	6,070	41%
Renter-Occupied Units	5,970	58%	8,020	61%	8,610	59%
<u>Vacancy Status</u>						
Vacant Housing Units	<u>590</u>	<u>100%</u>	<u>560</u>	<u>100%</u>	<u>570</u>	<u>100%</u>
For Rent	340	58%	270	49%	250	44%
For Sale Only	70	11%	90	16%	140	24%
For Sale or Rent/Other 1/	180	31%	200	35%	180	32%
<u>Vacancy Rates 2/</u>						
Homeowner Vacancy Rate		1.5%		1.7%		2.2%
Rental Vacancy Rate		5.4%		3.3%		2.8%

1/ Estimated at 32 percent of vacant units in 2005.

2/ Excluding "sale or rent/other."

Source: U.S. Census of Housing, S. Patz & Assoc., Inc.

Projections of Dwelling Units

The projections of the housing inventory by type to 2010 are largely statistical and represent the total number of units needed, and the mix of units the population has utilized in the past, trended forward five years. The private housing market may not, in fact, actually supply this amount and/or mix of units. The market must be able to sell or rent at prices and rents that are profitable; if households cannot afford profitable

development, the market is not likely to deliver unprofitable units unless assisted with public actions to close the profitability gap. Alternative projections are provided, as discussed in Section II.

Household and Dwelling Unit Projections

The link between population and housing units is the household, which is defined as an occupied housing unit. The occupants are the household population, and the total housing inventory includes vacant as well as occupied housing units (households). Table 41 below relates dwelling units to households from the 1990 and 2000 census, estimated for 2005, and projected to 2010. The relationship is indicated by the percent occupied, which increased for both the City and the County over the decade of the 1990's, as the large number of new units built were absorbed (occupied).

The data indicate an extremely tight housing market in Harrisonburg. New for-sale homes have been purchased rapidly upon delivery to the marketplace, and few new multi-family units have been constructed, while the vacant supply has been absorbed. Meanwhile, there has been a slow but continual loss of some units from the inventory as they age or are removed from the market for various reasons, including temporarily for renovations. Thus, there has been a decrease in the vacancy rate in order to meet housing demand. If delivery of new housing in Harrisonburg continues, occupancies could return to a stable level of 95 percent in Harrisonburg by 2010; a slowdown in deliveries would exacerbate the tight market, now estimated at almost 97 percent occupied.

“Low” and “High” alternatives are presented in addition to the “trend” projection, as suggested in Section II and explained further below. The range of “low” to “high” projections are given in Table 41 for Rockingham County, based on the recent Comprehensive Plan update. Assumptions underlying the alternatives for Harrisonburg are the following:

- A range was presented in Section II for the projection of the ethnic population to 2010, based on possible assumptions concerning the proportions of students in the English as a Second Language (ESL) program in the public schools. The low end of the range would have 130 fewer ethnic households than the trend projection and the upper end would have 480 more households than the trend projection.
- Possible state mandates to increase enrollments significantly at JMU were cited as a source of creating 340 or more new student households in the community. “Approved” university projections call for only 112 new enrollments per year through 2008. Projecting to 2010 at that rate, and with no new dormitories, that would require 190 new student units off-campus. This is 90 less than projected with the trend.

Table 41. Population And Dwelling Unit Trends And Projections, Harrisonburg And Rockingham County, Virginia, 2000-2004

	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>		
				<u>“Low”</u>	<u>“Trend”</u>	<u>“High”</u>
<u>Harrisonburg</u>						
Households	10,310	13,160	14,680	16,140	16,360	17,180
Dwelling Units	10,900	13,690	15,250	16,730	17,040	17,990
Percent Occupied	94.6%	96.1%	96.3%	96.5%	96.0%	95.5%
<u>Rockingham</u>						
Households	20,750	25,350	27,680	29,190	30,070	31,120
Dwelling Units	22,610	27,330	29,900	31,220	32,160	33,280
Percent Occupied	91.8%	92.8%	92.6%	93.5%	93.5%	93.5%

Source: 1990 and 2000 U.S. Census of Population, Comprehensive Plan for Rockingham County, and S. Patz & Assoc., Inc.

New Construction

The alternative projections present some policy considerations as well as alternative growth assumptions. All alternative projections assume that units removed

from the inventory will have to be replaced in order to house the projected population. Some policy issues include:

- The “low” projection forecasts the need for 1,530 net new dwelling units to house 1,460 new households at the same overall vacancy rate in the housing market as in 2005, plus 350 replacement units, for a total of 1,840 new housing units. This would be within three percent of the 1,785 units built between 2000 and 2004. Because the delivery of multi-family units was so extremely low after 2000, this projection assumes an additional 200-unit multi-family complex is constructed above the trend projection.
- The “trend” projection assumes 18 percent greater growth than the last five years, at almost 2,100 new units constructed. This continues the growth trend begun in the late 1990’s and continued into the early 2000’s. It assumes only a small increase in vacancies and that units will be delivered with a significantly greater multi-family component, in keeping with the very tight rental market.
- Movement in the direction of the “high” alternative could result from a number of policy alternatives. One would be to facilitate a greater share of multi-family housing, partially to house the additional students, but also to further increase multi-family homeownership (condominiums), affordable multi-family rentals (including subsidized units), and the homeownership rate among new single family attached dwellings.
- At the same time the “high” scenario could reflect successful policy implementation to increase single family home ownership, both in the affordable range, and at more affluent levels, to help reverse the past declines in the “resident” (non-student/non-ethnic) population in the City. At present this objective is stymied by a mismatch of land zoning and developers’ needs.

Table 42 below summarizes projected net increases in housing units for Harrisonburg from 2005 to 2010 for the “low” and “trend” scenarios. The “high” projection, although unlikely and not shown in Table 42, would require 2,790 new units to house 2,500 new households, while reducing the overall vacancy rate to 95.5 percent, plus 310 replacement units. This would mean a total housing delivery of 3,100, units 74 percent greater than the deliveries of the 2000 to 2004 period. Over 10 percent (340 units) of these units would be for additional off-campus student housing, making a total of 620 needed new student apartments by 2010.

Table 42. Projections of New Housing Construction for Alternative “Low” and “Trend” Scenarios, Harrisonburg, Virginia, 2005-2009

<u>Net New Units By Type 2005-09</u>	<u>Existing</u>	<u>New Construction</u>		<u>Net New Units</u>	
	<u>Losses</u>	<u>“Low”</u>	<u>“Trend”</u>	<u>“Low”</u>	<u>“Trend”</u>
Single Family Detached	-120	610	670	490	550
Single Family Attached, Two Units	-70	770	850	690	770
Multifamily 3+ Dwelling Units	-130	460	630	330	500
Mobile Homes, etc. (losses @ 10%)	<u>-30</u>	<u>0</u>	<u>0</u>	<u>-30</u>	<u>-30</u>
Total	-350	1,840	2,150	1,480	1,790

Source: S. Patz & Assoc., Inc.

Projections by Unit Type

In Table 43, on the following page, the net new units by type projected for the 2005 to 2009 period are added to the estimated units for 2005 to give projected units in 2010 by type, for each of the two “low” and “trend” alternative projections under consideration. The “low” alternative projection would see an increase of 22 percent in the number of housing units over the decade, compared to an increase of 26 percent during the 1990’s. The “trend” alternative would see an increase of 24 percent.

Summary

The purpose of this section has been to apply the data on sales and development since 2000 to the 2000 census housing data for Harrisonburg, to derive estimates of the current of housing, by type and tenure, in the City. Table 43 carries the analysis one step further with projections of housing units by type to 2010. These estimates and projections signal the housing changes, along with projected changes in numbers of households, which will be the basis for the comparative supply and demand analysis of the concluding section.

Table 43. Trends and Projections of Numbers Of Dwelling Units By Type, Harrisonburg, 2000-2010

<u>Housing Type</u>	<u>1990</u> <u>(census)</u>	<u>2000 1/</u> <u>(census)</u>	<u>2002 2/</u> <u>(plan)</u>	<u>2005</u> <u>(estimate)</u>	<u>2010 (projection)</u>	
					<u>Low</u>	<u>Trend</u>
Single Family Det.	4,600	5,200	5,420	5,740	6,230	6,290
SFA, Two Units	1,700	2,390	2,810	3,180	3,870	3,950
Multifamily 3+ DU	4,200	5,790	5,860	6,020	6,350	6,520
Mobile Homes, etc.	<u>400</u>	<u>310</u>	<u>310</u>	<u>300</u>	<u>270</u>	<u>270</u>
Total	10,900	13,690	14,400	15,240	16,720	17,030

1/ There is a discrepancy of 23 units for 2000 by type of unit compared to data by tenure.
2/ Comprehensive Plan estimates for December 1, 2002, corrected for a misstatement of multi-family units. All other years are for April 15 of the year to be consistent with the U.S. Census.

Source: U.S. Census of Housing, Comprehensive Plan 2004 Update, City of Harrisonburg, and S. Patz & Assoc., Inc.

Section VII. Conclusions and Recommendations

This study has presented an in-depth analysis of the housing market in the City of Harrisonburg, Virginia. This final section of the market study brings together data and projections on housing demand and on trends in housing supply. The purpose will be to identify where there could be gaps between the housing needs of the population, the City's visions for future residential development, and the housing market's ability to meet those needs and visions at appropriate prices and rents, and quality of development. This will lead to the recommendation of policies and actions that HRHA might consider in order to close gaps between goals and objectives, and market realities. There are three chief areas in which conclusions will be drawn and recommendations will be made in this section:

4. Traditional HRHA mandates for low and moderate income housing. Activities to help provide a safe and decent living environment for the City's residents is HRHA's main housing mission. For example, the HRHA Goals for 2004 suggest the types of housing activities the agency is currently targeting:
 - Initiate the master planning process for modernizing 100 public housing units, as described in Section V. The strategy would also produce additional affordable sale or rental housing, to be used in the interim to house public housing residents while modernization is in progress. Those new homes would be purchase/renovation or new construction.
 - Collaborate with Hope Community Builders (HCB) and Virginia Community Development Corporation for the construction of 25 to 30 new rental units under the federal Low Income Housing Tax Credit (LIHTC) program. HCB would be the source for land and construction; tax credits and project based Section 8 would fund the project.
5. Support of planning and development activities for a better mix of housing in the City. This objective includes the traditional mandate, but can be extended to include ways HRHA might help the City in its efforts to attract more high income housing and appeal to new housing market niches, such as condominiums, age-restricted housing, and planned mix use/high amenity communities.

6. Downtown Renaissance. Considerations also include targeting HRHA housing activities to the downtown area in order to dovetail with and support the Downtown Renaissance program to revitalize and energize the area. (HRHA also has performed a key role in non-residential revitalization in the downtown.

Review of Housing Issues

In original research undertaken in 2000/2001, S. Patz & Assoc. addressed three key housing issues confronting the City at that time. These issues, plus brief statements of current status, are as follows:

- The loss of new construction of higher price new homes to sites in Rockingham County, while the City continues to attract only more modest single family detached and attached homes. This trend continues.
- Changing demographics due to employment demands in the poultry industry, attracting ethnic immigration. This is continuing in service industries, as well, despite some economic reverses in poultry packing.
- A large oversupply of off-campus student apartments. That oversupply has since been significantly absorbed by slowly increasing enrollments and other sources, such as out-of-City students and movement of students from non-student apartments.
- An additional focus of the current study is the development of and implementation of housing projects in the downtown in support of Downtown Renaissance efforts for revitalization. To date this is a much discussed but as-of-yet unexplored endeavor.

Root Causes Identified

In the earlier study the consultant's analysis identified certain root causes for the direction the housing market in the City had taken. Three specific findings are cited below; a fourth point brings the analysis up to the present.

- Much of the inventory of vacant R-1 land for higher priced housing in the City was identified as poorly located in the western part of the City, posing development problems. Among those problems are topography and a limestone base. Adjacent industrial and commercial uses offer a negative image and increase development costs. Some of the best R-1 land has been used for development of modest attached homes.

- Developers reported higher development costs – from 10 percent to 15 percent -- in the City than occurs in the County due to stringent City requirements for infrastructure such as sidewalks, and curbs and gutters. Developers stated that the market will not permit the recouping of those costs through the further increasing of sales prices. It was not possible to adequately confirm these perceptions, which still exist.
- Much R-2 land is in effect serving the rental market, as economic conditions favor investor purchase of individual units for rental, especially duplexes and townhouses. The better R-2 sites have already been developed with a mix of moderately priced singles and towns, leaving little land available for higher priced units.
- Update: Virtually all net growth in the City since 2000 through 2005 has come from the ethnic and student populations. The apartment market over-expanded in the 1990's to serve those markets. That oversupply has since been largely absorbed, and the apartment vacancy rate has been forced down to virtual full occupancy (about two percent in conventional apartments, five percent for student apartments). The moderate income owner housing market continues serving primarily move-up and lateral-move buyers as before.

Emergent Issues

Other than new initiatives in the downtown, and lease-up of vacant oversupply in the rental market, housing market issues in Harrisonburg remain similar in kind to those of 2000, as sketched out above – impending impacts of continued immigration, and the inability to compete with the suburbs for the best quality housing in order to attract a more balanced income mix in the population, plus some uncertainty about future directions in student enrollments at JMU and possible housing market impacts. Updated strategies are needed to provide new perspectives on these issues.

Summary of Housing Demand/Need

The paragraphs to follow focus on housing needs and market responses for different segments of the City's population. Updated housing policy recommendations for HRHA follow this summary, based on a differentiation between housing "demand" and housing "need":

- Housing “demand” is a slightly different perspective from housing “need.” Housing demand generally refers to what households want and can afford in the marketplace for housing, that is, generally at market prices and rents.
- Housing “need”, on the other hand, refers to meeting at least a minimum standard of acceptable housing, and certain subgroups in the population may not be able to afford even this minimum standard housing.
- The gap is “unmet need,” where the private housing market cannot provide minimum standard housing for all segments of the population at prices or rents they can afford. Public agencies may step in to try to close this housing need gap for those population segments.

Low and Moderate Income Ranges

Data to be presented will summarize trends and projections of the numbers of households, by type, in four lower income ranges below \$40,000. These will be referred to in this study as “low and moderate income households,” based on the following considerations:

Affordable rents. Affordable rents can be defined as gross rents that do not exceed 30 percent of a household’s annual income. Gross rents at the better but mature market rate apartments start in the mid-\$500 range. Households with incomes in the “low” ranges of \$20,000 to \$22,750± or less cannot afford such market rate units. Households in the \$22,750 to \$30,000 income range could afford (older) market rate properties renting for up to \$700 per month. Most new market rate rental units rent in the \$750 to \$1,000 range (gross), which would be affordable only to households in the “moderate” income range of \$30,000 to \$40,000 per year.

Affordable prices. In general, home prices are judged affordable if total annual housing payments (“PITI”) do not exceed 28 percent of household annual income, allowing for an interest rate of 6.0 percent and 1.0 percent for taxes and insurance. Based on these parameters, a first-time buyer household would have to have an annual income of \$25,000± to afford a home at \$75,000, a price at which it is extremely difficult to find a new home. For this study “affordable” home prices for moderate income households – those with incomes roughly in the \$30,000 to \$40,000 range -- are taken as those in the \$100,000 to \$125,000 price range.

Defining low and moderate income households in this manner implies eligibility for various housing assistance programs for households generally in the \$40,000 income range or below. Four of the most common housing assistance categories are: public housing units, Section 8 vouchers and new construction units, Low Income Housing Tax Credit (LIHTC) units, and various home ownership programs. The first three apply to the lowest income households. LIHTC units fill in the lower-moderate income range, followed by homeownership programs at the top end of the range. Not all households within an income range will be eligible for all LIHTC programs, due to household size. For example, small households with incomes of \$30,000 may be able to afford market rate apartments. Larger households with that income could qualify for certain LIHTC programs. (The Virginia Housing Development Authority (VHDA) has just released updated income eligibility guidelines for the LIHTC program in Virginia.)

Low and Moderate Income Household Projections

It is estimated that by 2005 32 percent of all households fell into the low income range of \$22,750 or less, and 26 percent in the moderate income range of \$22,750 to \$39,800 (these categories are designed to match census categories in constant \$2004), or a total of 58 percent low and moderate. This includes 82 percent of student households, 62 percent of seniors households, and 47 percent of all other households, including non-senior/non-student ethnic households. Changes in the estimated and projected low and moderate income households in Harrisonburg trends are summarized in Table 44. Some highlights of these changes in the numbers of low and moderate households are as follows:

- Overall, the total increase in low and moderate households of all types is expected to be fairly stable with past trends, at about 1,000, with an increasingly greater proportion of additional moderate income households. The share low and moderate was estimated to be a much larger proportion of all additional households (86 percent) in the 2000 to 2005 period than is expected in the future, with a better mix of new housing types, at both the affordable and market-rate levels.

- The lowered incidence of low and moderate household growth for students in the 2000 to 2005 period reflected a very low rate of increase in enrollments at JMU. The projections of Table 44 are trend projections and envision slightly higher future enrollments than have been officially announced.
- Seniors are expected to continue the trend of the 1990's of a lower incidence of low and moderate households than is true for other segments of the population. However, after 2010 more moderate income households - the group for which the greatest growth in Harrisonburg is expected by 2010 - will begin to move increasingly into the seniors age bracket.
- Excluding students and seniors, the increase in the number of low and moderate income households is expected to decline moderately, by about 13 percent from the 2005 to 2009 period, from an increase of 800 between 2000 and 2004, to an increase of 700 between 2005 and 2009, based on a projected movement upward in the prices of new homes.

Table 44. Trend Changes In the Numbers of Low and Moderate Income Households, By Type and Income Range, Harrisonburg, 2000 to 2010 (constant \$2004) 1/

	<u>Total, All Households</u>		<u>Students Households</u>		<u>Seniors Households</u>		<u>Residual Households</u>	
	<u>2000-5</u>	<u>2005-9</u>	<u>2000-5</u>	<u>2005-9</u>	<u>2000-5</u>	<u>2005-9</u>	<u>2000-5</u>	<u>2005-9</u>
\$0-\$15,249	80	140	60	110	40	30	-20	-0
\$15,300-\$22,749	<u>200</u>	<u>200</u>	<u>30</u>	<u>50</u>	<u>30</u>	<u>30</u>	<u>140</u>	<u>120</u>
Subtotal Low	280	340	90	160	70	60	120	120
\$22,750-\$30,499	200	260	30	40	40	40	130	120
\$30,500-\$39,800	<u>590</u>	<u>340</u>	<u>20</u>	<u>20</u>	<u>30</u>	<u>20</u>	<u>540</u>	<u>450</u>
Subtotal Moderate	790	600	50	60	70	60	670	570
Total Low/Mod.	1,070	940	140	220	140	120	790	690
Total Households	1,420	1,680	140	310	310	270	990	1,100
Percent Low/Mod.	75%	56%	100%	72%	47%	45%	80%	63%

1/ Data for 2005-2009 represent the upper end of a range of roughly ± 20 percent.

Source: S. Patz & Assoc., Inc.

Single Family Market Response

Table 45 shows that the market produced almost 600 affordable-priced (under \$125,000) single family homes over the 2000 to 2004 period, mostly attached units, of which approximately 450 were owner-occupied, the remainder being investor purchased for rentals. (Not included in these data are the Pheasant Run rental townhouses.) This delivery of affordable units resulted from very favorable financing conditions (low market interest rates), the availability of sites, and the design of smaller, economical units.

Lesser numbers were delivered of mid-priced homes (about 400 homes in the \$125,000 to \$200,000 range) and of high-priced homes (200 priced at \$200,000 or above). Thus, about half the deliveries were affordable. The most recent trend has been to higher priced homes but in smaller numbers compared to the Rockingham County suburbs. The favorable financing conditions underlying this recent affordable single family home development activity are not likely to remain indefinitely.

Table 45. Summary of MLS New Home Sales, By Type, Harrisonburg, Virginia, 2000-2004 (constant \$2004)

<u>Home Price Range</u>	<u>Detached</u>	<u>Attached</u>	<u>Total</u>
Less Than \$75,000	0	0	0
\$75,000 to \$100,000	0	161	161
\$100,000 to \$125,000	35	391	426
\$125,000 to \$150,000	115	71	186
\$150,000 to \$175,000	91	58	149
\$175,000 to \$200,000	96	8	104
\$200,000 and Over	<u>206</u>	<u>22</u>	<u>228</u>
Total	543	711	1,254
Estimated Owner	543	574	1,117
Estimated Investor-Rented	0	137	137

Source: Harrisonburg-Rockingham Association of Realtors, Inc.

Multi-family and Rental Market Response

Only 353 new multi-family rental apartment units were produced after 2000, most of which were subsidized or students apartments. Pheasant Run townhouses and rental single family homes add 240 more rental units, for a total of about 600 new rental units. It is estimated that 100 units were lost from the multi-family rental stock, either permanently or temporarily. This net total of 500 rental units was an increase of only six percent above the 8,000 renter-occupied units in 2000. About 160 of the new rental units were taken by students, a greatly reduced rate compared to the 1990's, when a large overhang of student apartments was created and then absorbed after 2000.

- The 1990's overhang of student apartments has been absorbed, and vacancies in apartments are currently quite low, at approximately two percent. Student-occupied conventional apartments account for one-third of all student-occupied units and nearly one-quarter of the conventional apartment inventory in Harrisonburg.
- The 2,100 units of subsidized housing provided by HRHA accommodate almost three-quarters (76 percent) of the low income households in the City as defined above (some higher income households may be included). The income cut-off for this definition (based on census income categories) is at about 45 percent of the area median income.

Unsold Inventory and Pipeline

The private market has nearly 400 new single family units in the "pipeline" for development. This would include about 100 detached homes and 300 attached homes. This would represent two- to three-years supply of new units under favorable market conditions, including non-subdivision absorption. Based on some announcements, and on prices for recent sections, it appears that about half of all new units (120 units±) will be in the affordable range of \$125,000 or under, and one-half (120 units±) will be more expensive units. That is roughly the same proportion (47 percent affordable) for all new units sold between 2000 and 2004. The trend over the 2000 to 2004 period has clearly been toward the higher priced units, however.

The unsold inventory numbers 120 units, one-half detached and one-half attached. Only one-fourth of the unsold inventory is in the affordable range of \$125,000 or less, a much lower rate than has been reflected by recent sales. Conversely, 60 percent are in the \$150,000 to \$200,000 price range.

Alternative Demand Projections

This report offered three alternative scenarios for household growth and housing demand for the 2005 to 2009 period. A “trend” scenario projected growth much as it has occurred since 2000 with a modest relaxation on the lack of multi-family development the City has experienced. A “low scenario” projected a reduced rate of ethnic immigration and student off-campus housing. And a “high”, relatively uncertain, scenario combined three factors: a sharp increase in student off-campus housing, an increase in immigration, and an improvement in the supply of vacant units to relax the extremely tight rental market. The high scenario (not shown below) also presumes greater success in establishing more (higher priced) detached homes in the City, and could require as many as 2,700 new housing units. Illustrative unit mixes for these scenarios are suggested in Table 46.

<u>Table 46. Projections of New Housing Construction for Alternative “Low” and “Trend” Scenarios, Harrisonburg, Virginia, 2005-2009</u>		
<u>Net New Units By Type 2005-09</u>	<u>New Construction</u>	
	<u>“Low”</u>	<u>“Trend”</u>
Single Family Detached	610	720
Single Family Attached, Two Units	770	830
Multifamily 3+ Dwelling Units	<u>460</u>	<u>600</u>
Subtotal Gross New Construction	1,840	2,150
Losses From Existing Inventory	<u>-310</u>	<u>-310</u>
Net Inventory Change	1,530	1,840

Source: S. Patz & Assoc., Inc.

Market Analysis

An objective for the City is to help support development of higher priced/rent housing to provide a better mix of housing types and income levels in the City. The paragraphs to follow address the potentials for more upscale housing in different market segments, based on the housing supply and demand trends and projections that have been assembled for this report.

Owner Housing

The projected trends in demands for owner housing cited below do not assume major new initiatives to stimulate high-end housing and could be conservative; note will be made concerning what impact those initiatives might have if successfully implemented. A total of 850 new households is projected by 2010 with incomes over \$30,000 who could afford homes priced over \$100,000, as available.

- Trends in household income indicate 200 new owners by 2010 with incomes over \$76,000, who could afford upscale homes priced at \$200,000 or more. This is the level of deliveries achieved in this price range in the last five years for detached homes (very few attached homes). This is achievable under today's market conditions but would still represent only 30 percent to 40 percent of such units developed in the City-County urban-suburban area. Implementation of development incentives could increase this home market by another 50 units.
- The greatest potential for expanding this high-end owner market is through the development of luxury townhomes, of which Vista Terrace is the current prototype. To date it is the only attached home development in this price range, and is targeted to two-income/no-fee children households, including some empty nesters. While this is a traditional subdivision, to effectively expand this market will require use of planned development techniques, such as clustering, to create high amenity environments. Under those conditions an additional 50 to 100 such units could be supported.
- The future market for mid-priced detached homes and higher-priced townhomes – the \$150,000 to \$200,000 price range – is represented by 200 new owner households with incomes between \$53,000 and \$76,000. This is roughly the size of that market during the 2000 to 2004 period, when detached homes in this range were delivered at

a ratio of two-to-one compared to attached homes. This should be the most “elastic” of the owner market segments, and will respond with more sales if more quality product is delivered.

- A niche within this market price range is the submarket for age-restricted housing, generally defined as for persons aged 55 or older with no children in the household. The current prototype in Harrisonburg is the Village @ Meadow Pointe, planned for 80 units at buildout, including a community center. A more upscale version of this product would be a gated community within a planned development, including hiking and biking trails and other amenities. Sixty units at the Village are yet to be developed; it is projected that the market could support a second such development by 2010, in addition to traditional homes in this price range (above).
- Projections of the lower priced owner housing market identify it as the largest segment, with demand for over 450 new homes priced between \$100,000 and \$150,000. Between 2000 and 2004 most of the units in this range were attached homes selling in the “affordable” range of \$100,000 to \$125,000. This is almost certain to change over time, with prices moving upward with likely increases in interest rates. This upward movement will constrain demand in this range somewhat, but this is likely to remain the strongest market-driven owner segment in the City as long as appropriate sites are available.
- The multi-family ownership market in Harrisonburg is very small, with most units ending up as rentals or student flats. The post-2000 Millwood Condominium (24 units) is mostly rental. Pre-2000 projects such as Hunters Ridge (80 units) are either rental or, as in the case of University Place (30 units), rental mixed with student-owned housing. Development of owner-occupied condominiums in this market will be exploratory, with little activity over the next few years. As 2010 approaches the timing could be right for professional condominiums in the downtown (see below).

Renter Housing

Without significant changes in market conditions for apartment construction, and/or in City predisposition toward additional rental housing, an increase of little more than 500 non-student new renters is projected for Harrisonburg by 2010.

- A problem is that the lack of new multi-family housing has been accompanied by investor purchase of attached homes as rental units; this constituted a significant proportion of the new rental units delivered between 2000 and 2004. Of a similar number of units added in that period, only one-half were multi-family apartments; one-quarter were in a townhouse development and one-quarter were scattered investor-owned rentals. Most of the multi-family rentals were subsidized, so that the market rate non-student units were primarily in attached units.

- Demand for market rate rental units by 2010 from non-student households with incomes over \$25,000 would be 250 households. About half of these households could afford only new one-bedroom units in the up to \$625 gross monthly rent range. The balance could afford market rents in new units of \$750 to \$1,000. This is not strong evidence of market demand for apartments, as the for-sale attached housing market has been supplying this quantity of rentals to date.
- Use of developer proffers for project amenity incentives could credit the stipulation of a maximum number of investor purchases of new attached housing units. This would stimulate the apartment market to help support home-ownership, if desired, particularly at the more affordable owner price ranges. If the prices of attached homes continue to escalate, as expected, a transfer demand of renters from investor units to rental apartments could occur unaided.
- Alternative household projections have been provided in this report, based primarily on speculation about increases in the immigrant population and demand for off-campus student housing. Trend projections foresee demand for 300 new off-campus student apartments. A margin of ± 100 units for low-high scenarios has been identified as reasonable based on alternative enrollment projections. The immigrant population would account for much of the projected trend and contribute to the large demand in the lower-middle price/rent ranges. If English as a Second Language (ESL) enrollments in the public schools equal or exceed 50 percent, there could be as many as 400 or more additional immigrant households in the City compared to the numbers given here. This eventuality will depend on the market's continued ability to deliver affordable housing units.

Housing Policy Recommendations

The previous study for HRHA provided recommendations for dealing with these issues. A summary of those recommendations follows, with a synopsis of policy changes that may or may not have been made to implement those recommendations.

Recapitulation and Progress

- The previous study concluded that the problem in delivering higher priced homes is a "product (supply) issue" and not a "market (demand) issue," based primarily on development costs and limited land availability, as stated above. Consequently, since the supply of good R-1 land is not likely to increase, the City needed to find ways to stimulate better utilization of the existing land inventory. A key measure is to work to reduce development costs by offering incentives - e.g., reduced infrastructure requirements, allowance of higher densities - in return for development of higher priced homes with more on-site amenities.

There has been no apparent movement in this direction. No specific policies of this type have been implemented. This remains an unfilled challenge; it is still needed.

- While product is the major issue, stimulation of niche demand markets is also an alternative strategy, particularly the market for active adult, or “empty-nester”, housing. Innovative techniques such as zero lot lines can facilitate the development of attractive “carriage” or “patio” homes in a gated community with extensive on-site amenities to attract buyers and support a higher home price.

A recent example in the City is the Village at Meadow Pointe, an age-restricted duplex project that is successfully developing in the southwestern part of the City. Beacon Hill Towns is a quadraplex project located north of downtown. However, neither these nor other examples attest to application of innovative techniques.

- Utilization of the Low Income Housing Tax Credit (LIHTC) program was advocated to increase the stock of affordable rental housing. This was considered an especially viable option because of the financial attractiveness of the program to the developer, and because of the then-oversupply of vacant apartments in the City.

While some properties have been developed or converted to the program, the subsequent absorption of those vacant units and the lack of development of new market rate apartments quickly forced the vacancy rate down. The higher rents in the tight apartment market, plus the favorable development financing situation, has reduced the attractiveness of the LIHTC program to developers.

- The oversupply of vacant student apartments was also viewed as a potential source of supply of affordable housing because the larger units in student apartments would be conducive to housing the generally larger families of the immigrant ethnic population, or, alternative, the doubling up of single immigrant men, who have made up a large proportion of that population.

This appears to have taken place to some limited extent and to have contributed to the absorption of the overhang of vacant student apartments in the City, although most units are market rate and not “affordable.”

Emerging Issues and Recommendations

- The City remains hesitant to allow smaller lot development in currently R-1 areas or use of cluster zoning because of resident opposition. There is a pressing need for education – the public appears not completely sold on the Comprehensive Plan. (See further discussion of the Plan, below.) Developers oppose creation of Home Owners Associations needed to implement cluster development, arguing that buyers do not want them.

- The City needs to recognize that the multi-family housing glut is over and there is a moderate pent-up need for more multi-family rental units, including some demand for market rate units. The need for affordable rental units continues but is not growing any faster than it has in the past. Since the non-residential tax base is healthy, there should not be a hesitancy to implement affordable housing due to tax base issues.
- The City should continue to work closely with JMU concerning housing as well as economic development, in the event that the maximum enrollment increases do eventuate. The construction of new dorms on planned expansion land is preferable to overloading the City's apartment inventory. Another boom-bust cycle should be avoided; what is needed is modest but steady multi-family housing growth.
- Downtown Renaissance: the housing objective is to encourage middle income/professional residency in the downtown through the provision of upscale condominiums and single family on in-fill lots. However, there is no market support for upper income condos downtown now. Some buildings are available; upper floors in existing retail are the most promising but most are feasible only as office space due to internal configuration, safety requirements, etc.

City Comprehensive Plan

The recommendations of this report should dovetail with the findings and planning policy recommendations of the City's recently (2004) updated Comprehensive Plan. Of importance are the Plan's designations of target residential development mixes and identification of appropriate sites. The discussion here will focus on available sites for planned mixed housing type developments, as ways to reduce costs and increase on-site amenities.

- **Low Density Mixed Residential.** The Comprehensive Plan defines low density mixed residential development as consisting of a mix of large and small lot single family detached homes. The desired configuration would include clustering to retain open green space. Zero lot line and patio home design should be considered. Densities would range from one to six units per acre. Locations identified in the Plan are at the edge of the City and include six tracts totaling about 1,300 acres.
- **Medium Density Mixed Residential.** This designation would include planned developments of small lot mixed single family detached and attached homes with green space integral to the design. Features would be similar to the low density designation but at a higher density, of four to 12 units per acre. Locations include four tracts in the south and southeastern parts of the City with about 500 acres.

- **High Density Residential.** This designation would include densities of 12 units per acre to 15 units per acre, accommodating primarily multi-family development. Most new development of this type would be located near or adjacent to existing clusters of such units.
- **Mixed Use Development.** Mixed use development would combine residential and non-residential uses in a planned environment. Integral parts of the Plan’s vision for mixed use development are the “Traditional Neighborhood Development” (TND) and the “live-work” concept, in which people can live and work in the same building or on the same or nearby streets. Live-work communities would be especially consistent with downtown revitalization, while the TND could include a more extensive residential area around a live-work Town Center in a high-amenity environment. Three live-work sites are identified in the Plan, all in the northern part of the City relatively close to downtown. The Plan identifies two adjacent sites for Traditional Neighborhood Development at Smithland and Old Furnace roads and I-81.

1. **HRHA Traditional Mission**

The paragraphs to follow summarize some of the more traditional projects HRHA is undertaking, and it also suggests one approach to innovative transitional housing in the downtown.

HRHA Target Areas

HRHA’s key project for the near term is to modernize its 100 Public housing units, at Harrison Heights (Kelley And Tower streets) and Franklin Heights (Reservoir Street and Myers Avenue). The strategy is to purchase existing homes, renovate them, and use them for temporary housing for public housing residents during modernization. The production of the renovated homes would be a by-product of the modernization. New one-story units may need to be added for elderly tenants. As necessary as this modernization is, it may not create a significant net increase to the affordable housing stock, owner or renter. It is our recommendation that HRHA continue its efforts to find private developers of tax credit properties, preferably new construction, and to engage in such projects itself as soon as feasible. Our research indicates the following components of housing need (Table 4, in approximate numbers):

Table 47. Summary of Non-student Households in 2005, and Projected 2005-2009 Change, Harrisonburg, Virginia

<u>Income Range</u>	<u>Non-student Households, 2005</u>			<u>Projected 2005-2009 Change</u>		
	<u>Seniors</u>	<u>Other</u>	<u>Total</u>	<u>Seniors</u>	<u>Other</u>	<u>Total</u>
<u>Low Income</u>						
Less than \$22,749	940	1,800	2,740	60	120	180
<u>Moderate Income</u>						
\$22,750-\$30,499	270	850	1,120	40	130	170
\$30,500-\$39,800	<u>330</u>	<u>1,400</u>	<u>1,730</u>	<u>20</u>	<u>540</u>	<u>560</u>
Subtotal, Moderate	600	2,250	2,850	60	670	730
Low And Moderate	1,540	4,050	5,590	120	790	910
Source: S. Patz & Assoc., Inc.						

- As noted above, the City' subsidized housing meets 76 percent of low income need (actually, a slightly lower percentage, plus some residents in the moderate category). There may be 800 low income households without subsidized housing, and an increase of almost 200 low income households is expected by 2010. It will be a substantial challenge to meet much of this need, and it will likely require additional public housing units to achieve it, plus additional tax credit properties. The increase in the number of these households may not be new households to the City, but households with declining incomes. Thus, most will be in the City whatever their economic circumstances.
- The 350 units in existing tax credit properties in the City may support as much as one-third of the households in the \$23,000 to \$30,500 moderate income range. That would still leave a potential need for several hundred units to meet present needs, plus growth of another 200 households by 2010. Increased ethnic immigration would aggravate this situation directly, and greatly increased JMU enrollments would have an indirect impact by constricting the supply of available apartments.
- Of the 1,700 households in the City in the \$30,500 to \$40,000 income range, an estimated 800 are renters. These households should be able to afford market rents. Those with incomes above \$35,000, say, 400 households, might qualify for home-ownership programs from incentive-based developments. There could be an equal number in the \$40,000 to \$45,000 income range. These are large numbers compared to annual targets in the 25 unit-range that might be pursued with local non-profits.

2. Comprehensive Plan Implementation

The proper environment for developing and marketing higher priced homes is a master-planned large tract. The Comprehensive Plan inventory suggests that such suitable tracts do exist; most do not have sewer and water service, but it is generally in the vicinity. The tools such as cluster zoning and other incentives needed to implement a master plan property are not yet available but are advocated by the Comprehensive Plan. The objective is to stimulate the creation of high amenity/high value new communities in an economic fashion for better balance in the housing stock and income mix of the population.

Involvement in master-planning large-scale mixed-use development would not be considered a traditional mission for HRHA. As noted, inclusion of upper income housing may be controversial and perhaps not enabled under HRHA program statutes. Provision of housing for upper income has been done in other redevelopment areas (e.g., Norfolk). If possible, it should also combine some other public mission such as rezoning and reuse of low density, underutilized business or industrial areas that might be considered blighted. There should be such sites in the Main Street Corridor north and south of downtown that are large enough to bring about a transformation of the neighborhood if properly developed.

Other than overlay zoning, which requires ordinance amendment, the most effective way to provide incentives for quality development is through the proffer system. In Virginia it is standard procedure to provide guidelines for cash or in-kind contributions to defray the costs of public infrastructure for new development. Credit against such guidelines can be given for developer on-site as well as off-site amenity improvements, including design, materials and price/rent structure for the development. This allows the developer to provide a higher value, more competitive product at a favorable cost. Higher sales prices will result in greater fees and taxes for the City over time.

3. Downtown Revitalization

Harrisonburg's Plan for Downtown (2002) targets professional households for an emergent downtown housing market, particularly young singles and couples without children that would find condominium and luxury rental apartments amenable in a high amenity/high access environment. Some observations about downtown include:

- According to the 2000 census, and documented in the Plan For Downtown, the downtown area contained 260 households with 590 residents. About 100 of these residents were Hispanic or Latino.
- Over 150 residents were JMU students at the Denton Building. The conversion of the Denton Building shows how well student housing can work downtown, but there should not be an over-concentration in that market.
- The subsidized Polly Lineweaver facilities for the elderly now account for an additional total of 122 units on North Main Street. Similarly, it would not be wise to bring more traditional subsidized housing into the downtown.

The high demand for the apartments at the converted Metro Building on East Elizabeth Street attests to the existence of such a market. However, that is an off-center location without some of the negative influences of the present state of the center of town. Without seeming prejudicial, it is fair to say that an upscale housing market is sought, one that can support revitalized commerce and arts in the downtown. While the success of the Metro Building certainly signals the existence of potential demand, such demand will turn into actual housing activity only if costs of provision of units can be brought into line with that demand. Demand at the luxury scale will remain latent until the downtown reaches a critical mass of new attractive but more modest priced units plus commercial and arts amenities.

- Thus, initial housing efforts must employ existing incentive programs and/or other subsidies, and be competitively priced.
- And non-residential development must proceed parallel with initial housing development; the Plan emphasizes activities associated with the arts.

- With a modest beginning, and implementation of other downtown projects, the downtown should support 10 to 15 new upscale multi-family units annually over the next five years.

Artists' Studios. Since success tends to build on success, initial transition periods for revitalization are extremely difficult to get underway. It is proposed that an interim solution is to combine the non-residential strategy proposed in the Plan of pursuing activities in the arts as the initial catalysts to creating excitement and activity downtown, with the attraction of artists to downtown residences. Such residences would be new-construction studio lofts of the type successfully developed by Artspace of Michigan.

- The target market may not be affluent monetarily, but would be well-educated and skilled and would integrate well into a live-work environment downtown. The target market could include existing artisans in the City and the retention of students in the arts from area universities. Studies in other areas demonstrate that artists generally cannot afford the studio space they need. Artspace has been able to deliver studio space within living space at market or below market apartment rents. This market would be a transition to better paid professional and technical residents as jobs for those persons are more fully developed in the downtown and elsewhere in the City.
- As designed by Artspace, the units themselves combine semi-unfinished expansive studio space, with good natural lighting, and loft living space, connected by interior stairs. Exteriors are attractive in appearance and are usually contemporary in design. The facility could include a retail or exhibition space for residents. In Harrisonburg such a facility would be relatively small, say, ten units. One such facility could be developed for each of two years, followed by other more upscale residences in subsequent years. Artspace has developed such units as tax credit projects.

Available Properties. While a number of available vacant buildings have been identified in the Plan for their potentials for conversions, most would require upper floor renovations at costs not much less than new construction. Forty-nine vacant parcels in the downtown were identified in the Plan and should be considered for new construction in-fill projects making use of the various tax incentive programs now offered by the City in the downtown:

- Ten contiguous parcels located at East Market Street and Mason Street at the edge of downtown would be a logical place for a new construction condominiums.

- A group of four contiguous vacant parcels are well-located adjacent to the arts center on Courthouse Square. They are next to a church and presently used for parking.
- Eleven vacant parcels are located mid-block between Rock Street and Wolfe Street; six more parcels are close by at Wolfe Street and North Liberty Street.
- Scattered single parcels of good size are on Wolf Street near public buildings, several are on North Liberty Street, and others are on Rock, Bruce, and East Elizabeth streets.