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DEFINING THE MARKET

Chapter 2 Defining the Market

One of the first steps undertaken in this master planning exercise was an analysis of the need for affordable housing in the Charlottesville market. A critical initial step in the market analysis process is to define the market that one is to study. What are its physical boundaries? What is the area from which we can expect to draw our resident pool for rehabilitated or redeveloped affordable housing developments in the City of Charlottesville? In one respect, this is a relatively easy question to answer. Analysis of the market by our team has determined that CRHA can expect 75% to 80% of residents at CRHA's redeveloped or rehabbed sites will come from within the City of Charlottesville. This analysis took into account the fact that CRHA's current points system for admission to public housing favors City residents over residents of the surrounding counties, and the fact that lifestyle data analyzed by the team determined that the primary lifestyle groups likely to seek affordable housing opportunities in one of CRHA's sites are already living within the City to a much higher percentage than the surrounding counties. While the majority of new residents are likely to be City residents, it is estimated that CRHA's rehabilitated or redeveloped sites can attract up to 25% of future residents, and especially families with a member working in the City, from surrounding areas (primarily from within Albemarle County).

The case for need

2009 Income Limits for Charlottesville						
Percent of Median Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30%	\$15,300	\$17,500	\$19,650	\$21,850	\$23,600	\$25,350
50%	\$25,500	\$29,100	\$32,750	\$36,400	\$39,300	\$42,200
60%	\$30,600	\$34,920	\$39,300	\$43,680	\$47,160	\$50,640

Source: HUD; available on line at www.HUDUser.org.

According to Census data, the City of Charlottesville is projected to add 585 households between 2009 and 2014, while Albemarle County is expected to add over 3,000 new households, and the five-county area of the Thomas Jefferson Planning District as a whole is expected to add almost 8,000 households. Residents of the City of Charlottesville, in general are younger, poorer, more ethnically and racially diverse, and have on-average lower educational attainment than residents of either Albemarle County or the five-county planning district. Charlottesville, like many cities, has a bifurcated demographic profile, with large numbers of residents in the very high and

very low income brackets. Currently, 12.5% of City households earn less than \$10,000 per year, and the City has 36% of the total persons in the five-county area in this lowest income band.

More than 80% of the current demand for rental housing in Charlottesville comes from persons under 55 years of age. More than half of the households within this pool of potential residents (52.5%) have incomes below 30% of AMI. It is estimated that up to 30% of this number are students at the University of Virginia. This fact notwithstanding, estimates by the market analysts and supported by the Thomas Jefferson Planning District Commission and Census data suggest that total demand by family, near-elderly

Renter Demand Estimates - 2009 and 2014						
2009 Renter Demand by Age of Householder and Household Size						
	1 Person	2 Person	3 Person	4 Person	5 Person	Total
Householders Under 55						
Up to 30% AMI	1,123	611	465	317	159	2,675
30-50% AMI	666	468	184	234	108	1,660
50-60% AMI	334	138	97	115	78	762
Householders 55-61						
Up to 30% AMI	159	17	8	0	4	188
30-50% AMI	53	3	14	3	5	78
50-60% AMI	9	11	15	1	2	38
Householders 62 and Older						
Up to 30% AMI	434	84	1	6	6	531
30-50% AMI	178	36	23	3	6	246
50-60% AMI	63	23	2	2	2	92
2014 Renter Demand by Age of Householder and Household Size						
	1 Person	2 Person	3 Person	4 Person	5 Person	Total
Householders Under 55						
Up to 30% AMI	1,086	518	417	287	148	2,456
30-50% AMI	654	421	170	231	110	1,586
50-60% AMI	333	135	89	112	86	755
Householders 55-61						
Up to 30% AMI	168	17	9	5	5	204
30-50% AMI	63	6	18	2	5	94
50-60% AMI	18	19	18	1	4	60
Householders 62 and Older						
Up to 30% AMI	426	76	1	5	7	515
30-50% AMI	185	34	22	2	6	249
50-60% AMI	71	26	2	4	6	109

Note: 2014 estimates are based on 2009 income limits published by HUD. It is likely that these limits will be increased annually over the next five years.
Sources: Nielsson Claritas; Ribbon Demographics; RES Advisors.

and elderly households for rental apartments affordable by persons at or below 30% AMI is between 3,000 and 3,400. This number far outstrips current housing supply in this price range. There is a slightly smaller demand for rental units affordable to persons earning between 30% and 60% of AMI. It is estimated that there are just over 2,800 households needing affordable rental housing in this income band. Currently, the majority of rental units available to persons earning between 30% and 50% of AMI are located in Low Income Housing Tax Credit rental projects in surrounding areas of Albemarle County. Several projects are just outside of the City of Charlottesville's boundaries.

Psychographic data – who is our market?

Dominant Tapestry Lifestyles in the City of Charlottesville				
Tapestry Segment	Household Type	Total 2009 Tapestry Households	Percent of Total 2009 Households	Median U.S. Income*
63. Dorms to Diplomas	Students living alone, in dorms, or in shared housing	3,964	22.4%	\$18,326
22. Metropolitan	Singles, married couples living in city neighborhoods	3,011	17.0%	\$61,973
55. College Towns	Households 18-34 in college/grad school or working	1,597	9.0%	\$30,047
51. Metro City Edge	Diverse mix with larger sized households	1,522	8.6%	\$31,816
24. Main Street, USA	Mix of household types living in single-family homes	1,387	7.8%	\$55,144
57. Simple Living	Older singles, couples renting in older neighborhoods	1,252	7.1%	\$28,200
64. City Commons	Ethnically diverse single parents and singles	1,171	6.6%	\$16,565
48. Great Expectations	Singles, married couples beginning their careers	1,059	6.0%	\$37,684
14. Prosperous Empty Nesters	Older married couple households	910	5.1%	\$69,834
52. Inner City Tenants	Ethnically diverse young working households	605	3.4%	\$32,497
Totals		16,478	93.0%	
Total 2009 City of Charlottesville Households		17,943		
* Note: The household income is the U.S. median income for each lifestyle.				
SOURCES: ESRI, RES Advisors				

The market analysis used the ESRI Tapestry lifestyle system to provide further insights into the demographic groups that would be likely candidates for renting or purchasing housing at one of CRHA's public housing sites. This psychographic analysis offers the further benefit of providing a filter to separate low-income college students from other low-income singles and families. By comparing income bands for various tapestry segments and lifestyle data for each of the segments, the market analysis report determined that there are potentially five segments that are likely to comprise the overwhelming majority of residents for the redeveloped sites (in addition to current public housing residents).

The five segments are:

- **Metro City Edge (1,522 Charlottesville households)**

Households are married couples, single-parent, and multigenerational families. These households are large with an average of 3.42 persons. They are predominantly African-American (73 percent). While 78 percent of households derive income from wages and salaries, nine percent receive public assistance and nine percent receive Supplemental Security Income (SSI). Nearly half of employed residents work in service industries; unemployment is high for Metro City Edge households, 16 percent. Households live in older neighborhoods, and 56 percent are homeowners. The median home value is \$80,795.

- **Simple Living (1,252 Charlottesville households)**

Households in this lifestyle have a median age of 40.5 years and 20 percent are 65 and older. These households are predominantly white. Half are singles who live alone and 32 percent are married couple families. Forty percent collect Social Security, eight percent receive SSI, and six percent receive public assistance. More than half of households rent. Those employed work in the health care, retail trade, manufacturing, educational services, and accommodation/food services sectors. Twenty-two percent of households do not own a vehicle.

- **City Commons (1,171 Charlottesville households)**

These households are young singles and single parent households with an average age of 24.6 years. Households often are multigenerational with adult children still living at home or grandparents providing child care. The average household size is large, 2.78 people; 83 percent of households are African-American. About 31 percent of employed households work in service industries, or about twice the national average. Almost 19 percent of households receive public assistance and 13 percent receive SSI. Unemployment is 27 percent, or the highest of all Tapestry lifestyles. About 77 percent of households rent; 63 percent rent apartments in multifamily buildings with fewer than 20 units.

- **Inner City Tenants (605 Charlottesville households)**

Households are young and very diverse. About 29 percent of U.S. households in this lifestyle are Hispanic. Neighborhoods with Inner City Tenants have high turnover because households are enrolled in nearby colleges and work part-time. These neighborhoods also are stepping-stones for recent immigrants. While 83 percent of households derive income from wages and salaries, seven percent receive public assistance income. These households rent economical apartments in older multifamily buildings. Seventeen percent of households do not own a vehicle.

- **Metropolitans (3,011 Charlottesville households)**

Households possess a propensity for city living. About half of Metropolitans households are singles who live alone or with others; 40 percent of households are married couples. Households are predominantly white; the median age is 37.6 years. Labor force participation is 71 percent, and 75 percent of households 25 and older have attended college or completed a degree program. Forty-nine percent have either a bachelor's or graduate degree and half of employed persons have a professional or management position. Metropolitans live in neighborhoods with a mix of single-family and multiunit structures and housing units that were built prior to 1960. The homeownership rate is 62 percent; the median home value is \$225,172 (all U.S. homeowners in this cluster). These households are members of civic clubs and participate in civic activities. In Charlottesville, they tend to live in the Barracks/Rugby, North Downtown, Martha Jefferson, Woolen Mills, and Fry's Spring neighborhoods.

Creating mixed-income and mixed-use communities

Currently, within CRHA's housing sites, 84% of residents earn less than 30% of area median income (AMI), with only 1% of current residents earning over 50% of AMI. In addition, 89% of households on the public housing waiting list earn incomes at or below 30% AMI. This heavy concentration of extreme poverty has an isolating effect on residents of public housing this isolation can serve to perpetuate the cycle of poverty by excluding residents from educational and employment opportunities available in more socially and economically integrated neighborhoods. Living in communities of concentrated poverty also has a tendency to depress the educational achievement of the children of public housing residents. Statistics in other communities that have replaced concentrated public housing with mixed-income communities has shown an increase in educational attainment, employment and other positive social, health and economic benefits to public housing residents. Likewise, integrating mixed-use with mixed income provides communities that are closer in character to organic urban neighborhoods by providing shopping, services and employment opportunities within close proximity to affordable housing.

Recommendations for CRHA's sites

The Market Analysis Report lists several general recommendations, as well as specific recommendations for CRHA's public housing sites. General recommendations include:

- Replace or improve the housing that CRHA owns;
- Continue to focus on rental housing and especially on demand by households not served by the private market—most notably, those with incomes below 30 percent of AMI.
- Capitalize on opportunities to provide mixed-income rental housing on CRHA sites when they are redeveloped; large concentrations of low-income housing do not provide an acceptable living environment for poor families.
- Partner with other housing providers and developers to tap additional expertise and resources especially in the area of housing for households with disabilities.

Specific recommendations for each site are as follows:

Crescent Halls



Crescent Halls currently serves a mixed population of seniors over 62 years of age and non-elderly disabled persons. This population mix seems to stem primarily from the lack of mobility-impaired units in CRHA's family sites. Currently more than half of the 105 units at Crescent Halls are filled with non-elderly disabled tenants. Experiences in other cities has shown that, in the absence of population-specific supportive services, senior buildings with more than 10% non-elderly disabled tenants tend to be un-attractive to frail senior renters. This is due to differences in lifestyles and negative perceptions among seniors of safety and personal security. As part of the redevelopment process, the market analysis recommends that Crescent Halls be rehabilitated to serve a senior population (either 55+ or 62+), with no more than 10% of the units serving non-senior disabled tenants. This can be accomplished by providing mobility-impaired and special needs units on family sites in small numbers in order to better “mainstream” these residents. The policy of capping the number of non-elderly disabled will benefit Crescent Halls by making it more competitive with other affordable senior living options in Charlottesville (such as Midway Manor). Phased rehabilitation of Crescent Halls can also be used to satisfy Fire Department concerns about profoundly disabled persons living on high floors of Crescent Halls by strategically relocating them to lower floors as the rehabilitation progresses.

Westhaven



In the opinion of the consultant team, Westhaven has among the best potential of all of CRHA's sites to become a successful mixed-income, mixed use redevelopment. It also has special challenges to overcome before such a transformation can occur. These challenges stem primarily from its history of physical and social isolation; as well as its poor

reputation in the community at-large and among current CRHA residents. The market analysis points out that Westhaven's ability to attract a mixed-income community will depend on the extent to which its historically poor reputation can be repaired through improvements in management even prior to the start of redevelopment activities. One of the strategies that the consultant team is looking at to re-integrate Westhaven is a physical link between Hardy Drive and West Main Street. Westhaven will most-likely attract moderate-income and market rate renters interested in having a walking-distance proximity to UVA and the Downtown pedestrian mall.

South 1st Street



South 1st Street is expected to make a good candidate for a mixed-income redevelopment, but with a different resident profile than Westhaven. It is expected that based on its location in a lower-density neighborhood on the periphery of the city it will attract a slightly older age demographic and more families with children.

Sixth Street SE



Sixth Street SE is one of CRHA's moderate-sized projects, with 25 units on a relatively large 7.3 acre site. The Quality Community Council (QCC) operates a very popular community garden on the northern edge of the property, fronting Monticello Avenue and facing the adjacent Piedmont Housing-owned Friendship Court. The market analysis points out that the market rate rents for this site are likely to be depressed due to the large concentration of other affordable housing properties in the immediate vicinity. Because of this fact, the near term potential to create a mixed-income community at Sixth Street SE may be more limited than at other CRHA

sites. Additional redevelopment of the IX building site or a mixed-income residential development adjacent to Friendship Court could have a positive effect in generating favorable demand for mixed-income housing at this site.

Michie Drive



Michie Drive is another mid-sized site. From a marketability standpoint it has the advantage of being a relatively small enclave with close proximity to shopping and employment opportunities within easy walking distance. Conversely, its location is hampered by the fact that its neighborhood consists almost

exclusively of affordable housing, a large social service agency serving the mentally ill and handicapped, big-box retail and a very busy auto-thoroughfare that creates noise issues for the site and physically isolates it from neighboring residential areas. Efforts to re-integrate this site into a larger neighborhood community by means of pedestrian trails or other connections could improve the marketability of this site as a mixed-income community, but it is unclear whether these efforts would be sufficient to make the site work as mixed-income long-term.

Madison Avenue



Madison Avenue possesses some unique advantages in the CRHA portfolio of sites. Namely, it sits at the end of a dead-end street, surrounded by stable, desirable residential neighborhoods. The site has access to a public park and public transportation via

a pedestrian connection at the end of the street. It is also closer to the University of Virginia campus and UVA hospital than any other CRHA property (other than Westhaven). These factors make it a likely candidate for a successful transformation to a mixed-income community.

Riverside Avenue



Riverside appears to present a good opportunity for a mixed-income site due to its location in a stable, desirable residential neighborhood.

Levy Avenue



The market study recommends two courses of action for development of the Levy Avenue site:

- Develop a 50-70 unit seniors-only building
- Develop a smaller (perhaps 30-40 unit) special needs building

Another alternative would be to offer the Levy

Avenue site for-sale and to use the proceeds from the sale to assist with redevelopment activity at other CRHA sites.



Elsom Street

Hinton Avenue

Ridge Street

Monticello Avenue

Single Houses (Hinton, Elsom, Monticello and Ridge)

While data were not available about the costs associated with maintaining and managing these scattered-site homes, experience at other housing authorities has been that scattered site homes are far more costly and time-consuming to maintain than multi-family sites. From a resource allocation perspective, the market analysts recommend selling these homes and using the proceeds to help with redevelopment activity on other CRHA sites.

Recommendations for Site and Unit Amenities

The market analysis recommends that all units (whether rehabilitated or new, provide amenities similar to those provided at new rental complexes. This will be essential to make the units marketable to households with a range of incomes. Units should have central air-conditioning, carpeting in all living and sleeping spaces, and window treatments on windows (mini-blinds). Kitchens should be equipped with ranges, frost-free refrigerators, dishwashers, garbage disposals, and microwave ovens. Washers and dryers should be provided in all units. All sites should be equipped with playgrounds or tot-lots and a small fitness facility and meeting room.

Larger complexes, such as Westhaven and South First Street should have a wider range of site amenities including a neighborhood networks center (computer center), leasing/management office and a small maintenance satellite office. Market-rate rental complexes and LIHTC rental properties in Charlottesville typically offer a community room and a swimming pool

Partnering

In order to accomplish the mixed-finance redevelopment phases depicted in this master plan, the Housing Authority will have to look to partner with either for-profit or non-profit developers with experience in obtaining tax credits and developing mixed-finance projects. There are a number of entities in Charlottesville that have experience in this realm, some of them are listed in the market analysis report.

A particularly important consideration is the ongoing management of mixed-income properties. There are major differences in managing these properties as opposed to traditional public housing. There are now a number of firms that have demonstrated success in managing mixed-income properties, and CRHA would benefit from an arrangement with a partner having this type of expertise.