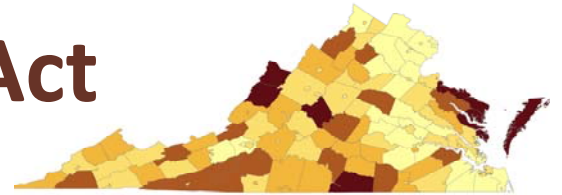


Virginia's Neighborhoods & the American Jobs Act



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Housing Opportunities Made Equal of Virginia, Inc.



EXECUTIVE SUMMARY

- Housing policy must be the top priority now. Economists, business leaders, and policymakers all agree that restarting the housing market is essential to our economic recovery.
- As of 2010, there 308,881 vacant housing units in Virginia, 9.18% of all housing units in the Commonwealth.
- The proposed investments by the American Jobs Act to rehabilitate and refurbish vacant and foreclosed properties will benefit the entire Commonwealth of Virginia.
- The highest rate of foreclosures in Virginia is in the urban crescent. The highest total number of vacancies is also in the urban crescent. However, the highest residential vacancy rates are in rural Virginia.
- Investments by the American Jobs Act will be felt strongly in areas with high vacancies, high foreclosures or both.
- This is a bi-partisan solution with broad support in Virginia. Governor Bob McDonnell supports investments rehabilitating substandard housing. He highlighted this as a priority early in his administration through Executive Order 10.

ABOUT HOUSING OPPORTUNITIES MADE EQUAL (HOME)

HOME's mission is to ensure equal access to housing for all people.

Housing Opportunities Made Equal of Virginia, Inc. (HOME) is Virginia's premier fair housing organization offering a variety of programs and services designed to ensure equal access to housing for all Virginians. For the past 40 years, HOME has worked to unlock doors closed by housing discrimination. HOME is a 501(c)(3) nonprofit corporation and a HUD-approved housing counseling agency.

HOME's Center for Housing Leadership produces high quality public policy analysis and research to evaluate housing opportunity in Virginia. Research at the Center for Housing Leadership is made possible by a grant from Wells Fargo.

HOME was founded in 1971 to fight discrimination in housing access. By working to promote financial literacy and the proper use of credit, HOME helps create responsible consumers. By ensuring that the fair housing laws are enforced, HOME helps give businesses the confidence that housing will be available for all their employees. By working to give every family access to good neighborhoods and good schools, HOME helps create a well-educated workforce for the future. And by helping to prevent foreclosures and giving families the tools they need to be long-term sustainable homeowners, HOME helps to avoid disruptions in the workplace and to create a stable workforce.

INTRODUCTION

The Housing Crisis and subsequent Great Recession have dramatically increased foreclosures and vacancies in Virginia. Title 2 Subtitle G of the American Jobs Act is “Project Rebuild” which provides for \$15 billion in investments to rehabilitate and refurbish vacant and foreclosed homes and businesses. The goal of this part of the American Jobs Act is to create jobs while also stabilizing neighborhoods, reducing vacancies, and stabilizing residential and commercial property values.¹ Of this \$15 billion, Virginia could receive approximately \$20,000,000.² This paper attempts to uncover which communities have been hardest hit by the housing crisis and could benefit the most from this portion of the American Jobs Act.

Housing policy must be a top priority now. Economists, business leaders, and policymakers all agree that restarting the housing market is essential to our economic recovery. The largest asset most Virginians own is their home. The foreclosure crisis and subsequent glut of vacant homes has devastated neighborhoods across America. This has significantly reduced wealth, especially amongst minority communities.³ Studies show that foreclosures lead to vacancies.⁴ Both foreclosures and vacancies depress home prices by up to 3.6 percent.⁵ Foreclosures add to the home supply on the market, further depressing home prices in the area. This lower value hurts all Virginians because lower home prices means homeowners have less equity in their homes.⁶

While vacant properties have greater negative impact on home values in close proximity, the affect of a foreclosure on home values extends much further than a vacancy.⁷ Because foreclosures and vacancies affect property values, investments by the American Jobs Act will be felt strongly in areas with high vacancies, high foreclosures or both. Renovations and rehabilitation of vacant homes to reduce vacancy rates will help improve property values. Renovations of foreclosed homes will help improve sales and thus reduce downward pressure on the housing market. A vacant home can lower property values even if it is not for sale. Vacant homes are less likely to be well maintained and are more likely to be vandalized; both factors negatively impact the value of surrounding homes.⁸

ABOUT THIS STUDY

To understand which jurisdictions will benefit the most from “Project Rebuild” in the American Jobs Act, we evaluated the housing market crisis and foreclosure crisis in Virginia. This study attempts to address the relationship between vacancies, foreclosures, and property values. Principally, home prices are tied to supply; those areas with low inventory typically have higher prices. To examine the relationship of foreclosures, vacancies and home prices this study evaluated:

- the percentage of REO properties
- percentage change in median home sale price
- percent change in home sales
- percentage change in residential vacancies

We averaged these variables together and mapped them across Virginia by locality. This “impact map” (next page) shows the spatial distribution of foreclosures, vacancies and home values across Virginia.

VACANCIES, FORECLOSURES & THE HOUSING MARKET CRISIS IN VIRGINIA

As of 2010, there 308,881 vacant housing units in Virginia, 9.18% of all housing units in the Commonwealth. Numerous studies have shown the negative impact that vacant properties have on property values. Most would think that the localities with the greatest incidence of foreclosure would have the highest percentage of vacancies and thus, the greatest decrease in home values. Virginia's housing market is more complex than that. When we examine all of Virginia's localities together, those most heavily impacted by foreclosures also have some of the lowest residential vacancy rates in the Commonwealth (Table, right).

The impact map below shows the spatial distribution of foreclosures, vacancies and home values across Virginia. The darker areas of the map are the most heavily impacted and would be most affected by investments in the Jobs Act. The top ten jurisdictions in Virginia with the greatest number of Real Estate

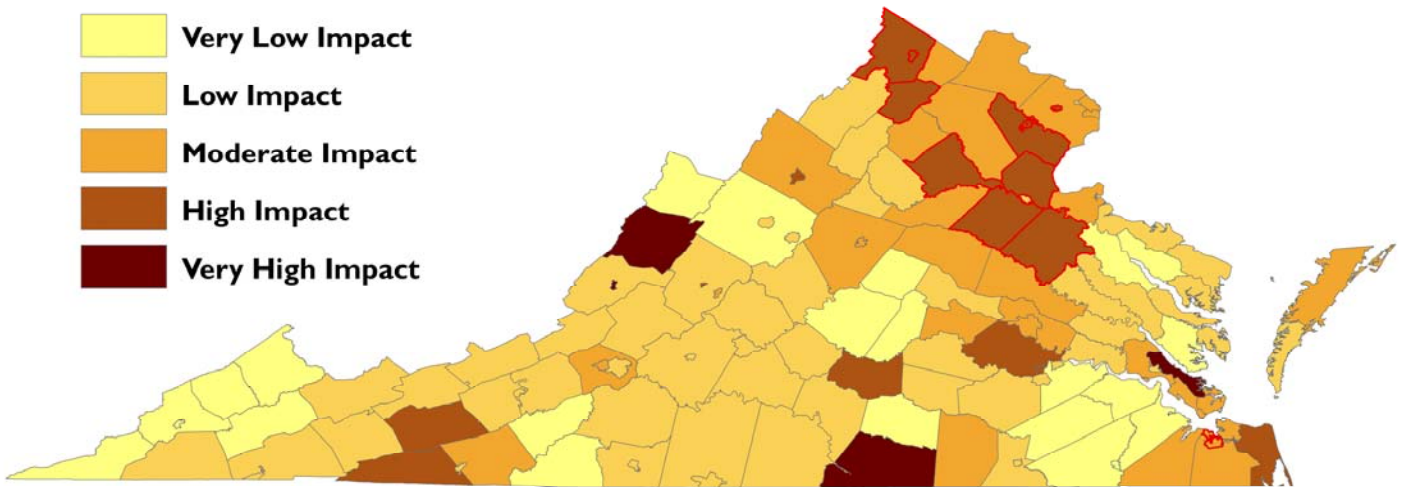
Impact of Foreclosure & Housing Market Crisis	
1.	Mecklenburg
2.	City of Covington
3.	Bath
4.	York
5.	City of Fairfax
6.	Prince Edward
7.	Winchester
8.	City of Manassas Park
9.	Warren
10.	Grayson

Impact of the Foreclosure and Housing Market Crisis

Legend

Impact

- Very Low Impact
- Low Impact
- Moderate Impact
- High Impact
- Very High Impact



Combined Average of Z-scores of percentage change median home sale price, total home sales, real estate owned properties and residential vacancies

Data Source(s): Median Sale Price and Total Home Sales provided by the Virginia Association of REALTORS.
 Real Estate Owned Properties provided by RealtyTrac.
 Residential Vacancy data provided by the US Decennial Census, 2010 SFI.

HOME's Research is made possible through the generous support of:



Owned (REO) properties as of August 2011 were used to show that those areas with the greatest number of foreclosures are not necessarily those jurisdictions that have experienced the greatest impact of the housing market crisis. REO's are properties which are purchased by the lender at foreclosure auctions. Though REO's are not inclusive of all foreclosures which have occurred in a jurisdiction, they represent the vast majority, up to 79 percent of foreclosures. For this reason, they are a strong indicator of the foreclosure activity of each jurisdiction.⁹

The top ten jurisdictions with the greatest percentage of REO properties (shown outlined in red in the preceding map) are primarily located in Northern Virginia (Table, right). The exception is the City of Portsmouth, located in Hampton Roads. It has been the jurisdictions within the "Urban Crescent," the densely urbanized belt stretching from Hampton roads,

Jurisdictions with Greatest Percentage of REO Properties
Manassas City
Fairfax City
Portsmouth City
Stafford
Culpeper
Frederick
Prince William
Spotsylvania
Caroline
Warren

Jurisdictions with Highest Residential Vacancy Rates	
Mecklenburg	27.4%
Lancaster	28.9%
Westmoreland	31.2%
Mathews	31.9%
Bath	33.9%
Middlesex	34.0%
Accomack	34.3%
Nelson	35.6%
Northumberland	38.4%
Highland	41.2%

through Richmond, to Northern Virginia, which have experienced the greatest number of foreclosures (Appendix, Map 1).

Our study reveals that the jurisdictions within the urban crescent have some of the lowest percentages of residential vacancies (Chart, below). This indicates that the housing market in that area is able to move foreclosed inventory back into the hands of homeowners (Appendix, Map 2).

This is not to say that vacancies are not a problem. The highest total number of vacancies are still in the urban crescent of Virginia as the table on the right "Highest Total number of Vacancies" shows.

Highest Total Number of Vacancies	
Fairfax County	16,371
Virginia Beach City	12,790
Richmond City	11,198
Norfolk City	8,533
Henrico County	8,177
Arlington County	7,354
Accomack County	7,204
Chesterfield	6,875
Franklin County	6,535
Prince William County	6,330

Vacancies have increased throughout Virginia due to the housing crisis and subsequent Great Recession. Examining the rate of vacancy change over time, from 2000 to 2010, shows that vacancies increased relatively uniformly across the Commonwealth (Appendix, Map 3). Comparing the percentage change of the median home sale price by jurisdiction reveals that Northern Virginia once again experienced concentrated and significant decreases in home sale price compared to the rest of the Commonwealth (appendix, Map 4). Finally, home sales have begun to stabilize, and in some cases increase in a number of jurisdictions throughout Virginia. This is not to suggest that home sales have rebounded to what they were prior to the collapse of the market, but rather that they have improved since 2008 (Appendix, Map5).

Given this data, it can be concluded that housing markets in the most heavily populated regions of the Commonwealth are adjusting to increased inventory through lower sale prices. Though they have

experienced more foreclosures than other portions of the state, foreclosed inventory is moving back into the hands of homeowners as indicated by the growth in home sales over the past 2.5 years and low residential vacancy rates. Investments to rehabilitate foreclosed homes in these areas will ensure that these properties do not further depress home prices.

Examining the impact of Project Rebuild requires evaluating multiple variables, each contributing to the continued decline in home values, home sales, and the continued escalation in foreclosures and residential vacancies. The localities in the “Impact of Foreclosure and Housing Market Crisis” Map on the preceding page which are classified as “high” and “very high” impact will benefit the most from federal investments. However, it is clear the effects of the housing market and foreclosure crisis have been felt by every jurisdiction within the Commonwealth. Investments by “Project Rebuild” in the American Jobs Act will do much to stabilize housing markets and neighborhoods throughout Virginia.

A BIPARTISAN SOLUTION

Virginia Governor Bob McDonnell supports an idea similar to Project Rebuild in his Housing Policy. In April 2010 Gov. McDonnell issued Executive Order No. 10, which supported investments to “*support the rehabilitation of substandard housing.*”¹⁰ A draft of this statewide housing policy was released on November 18, 2010. One of the policy recommendations of Governor McDonnell’s interim housing policy framework is the creation of a state housing trust fund.¹¹ A housing trust fund is a finance structure mostly used to support the rehabilitation of vacant homes and the construction of new affordable housing developments.

An economic study, prepared by Chmura Economics and Analytics, on the housing trust fund showed that it will create thousands of jobs in Virginia. A \$10 million investment per year over 10 years will yield a \$1 billion impact on Virginia’s economy and create 5,893 jobs.¹² This study also found that even after all the construction is complete, the ongoing economic impact will be \$331.0 million per year, and will support 1,778 jobs in Virginia.¹³ Dr. Christine Chmura will be a guest speaker at the Governor’s Housing Conference in Hampton VA in mid November.

The similarities between Governor Bob McDonnell’s housing trust fund proposal and Project Rebuild in the American Jobs Act show that rehabilitating and refurbishing vacant and foreclosed homes is a bipartisan solution with broad support that could create a significant number of jobs in Virginia.



FOOTNOTES

¹ “The American Jobs Act.” WhiteHouse.gov. 22 Sept 2011.

² “The American Jobs Act: Impact for Virginia.” WhiteHouse.gov. 22 Sept 2011.

³ Taylor, Paul et al. “Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics.” [Pew Research Center, Social & Demographic Trends](http://pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf). 26 July 2011. http://pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf

⁴ Whitaker, Stephan. “Foreclosure-Related Vacancy Rates.” Economic Commentary. 26 July 2011. Federal Reserve Bank of Cleveland. <http://www.clevelandfed.org>

⁵ Harding, John P., Rosenblatt, Eric and Yao, Vincent W. “The Contagion Effect of Foreclosed Properties” (July 28, 2008). [Journal of Urban Economics](http://www.ssrn.com/abstract=1160354), Vol. 66, No. 3, pp. 164-178. Available at SSRN: <http://ssrn.com/abstract=1160354>

⁶ Whitaker, Stephan. “Foreclosure-Related Vacancy Rates.” Economic Commentary. 26 July 2011. Federal Reserve Bank of Cleveland. <http://www.clevelandfed.org>

⁷ Mikelbank, Brian. “Spatial Analysis of the Impact of Vacant, Abandoned and Foreclosed Properties.” Federal Reserve Bank of Cleveland. 2008 November.

⁸ Whitaker, Stephan. “Foreclosure-Related Vacancy Rates.” Economic Commentary. 26 July 2011. Federal Reserve Bank of Cleveland. <http://www.clevelandfed.org>

⁹ *Ibid.*

¹⁰ Executive Order No 10. [Housing Policy Framework for the Commonwealth of Virginia](https://www.governor.virginia.gov/PolicyOffice/ExecutiveOrders/2010/EO-10.cfm). April 2010. <https://www.governor.virginia.gov/PolicyOffice/ExecutiveOrders/2010/EO-10.cfm>.

¹¹ “Housing Policy Framework for the Commonwealth of Virginia.” [Interim Report to the Governor](http://www.virginiahousingpolicy.com). 18 Nov 2010. Available <http://www.virginiahousingpolicy.com>.

¹² “The Economic Impact of a Housing Trust Fund on the Virginia Economy.” [Campaign for a Virginia Housing Trust Fund](http://www.virginiahousingtrustfund.org). Chmura Economics & Analytics. 7 Sept 2011. Available online <http://www.virginiahousingtrustfund.org>. 22 Sept 2011.

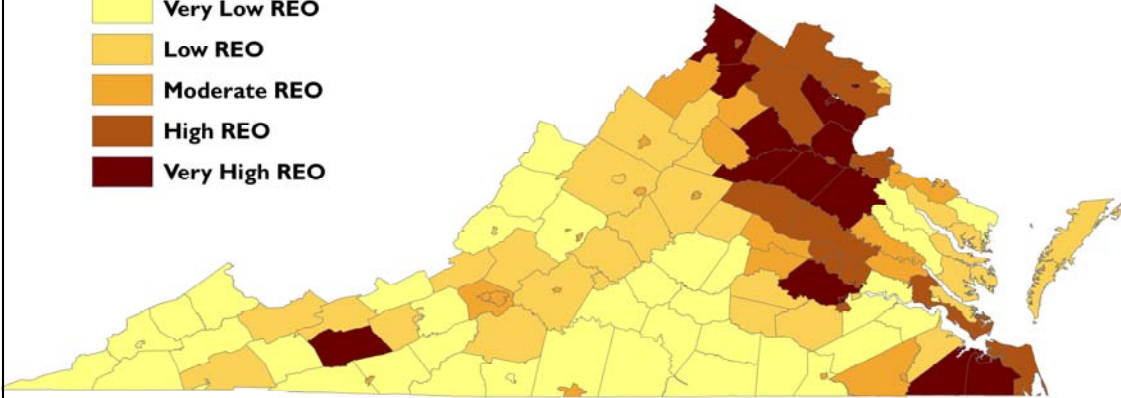
¹³ *Ibid.*

APPENDIX

Map 1. Z-Score of Percentage of REO properties per total number of households as of August 2011

Legend

- Very Low REO
- Low REO
- Moderate REO
- High REO
- Very High REO



The z score indicates how far and in what direction, the variable deviates from its distribution's mean, expressed in units of its distribution's standard deviation.

Data Source(s): Median Sale Price and Total Home Sales provided by the Virginia Association of REALTORS.
Real Estate Owned Properties provided by RealtyTrac.
Residential Vacancy data provided by the US Decennial Census, 2010 Sfl.

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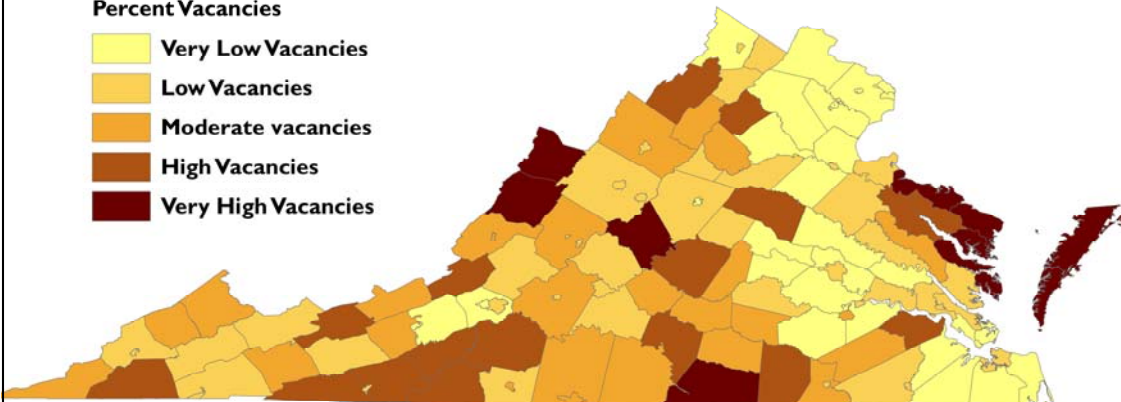


Map 2. Percentage of Residential Vacancies by Jurisdiction, 2010

Legend

Percent Vacancies

- Very Low Vacancies
- Low Vacancies
- Moderate vacancies
- High Vacancies
- Very High Vacancies



The z score indicates how far and in what direction, the variable deviates from its distribution's mean, expressed in units of its distribution's standard deviation.

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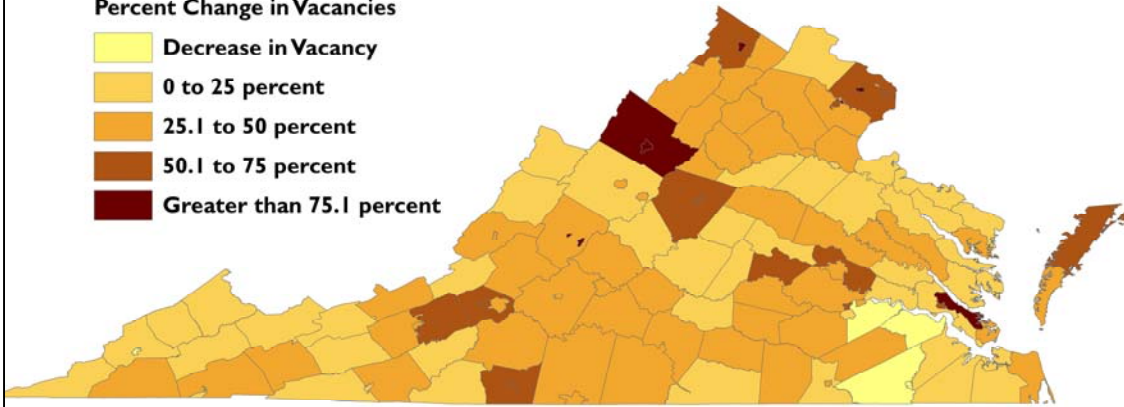


Map 3. Percent Change in Residential Vacancies from 2000 to 2010

Legend

Percent Change in Vacancies

- Decrease in Vacancy
- 0 to 25 percent
- 25.1 to 50 percent
- 50.1 to 75 percent
- Greater than 75.1 percent



The z score indicates how far and in what direction, the variable deviates from its distribution's mean, expressed in units of its distribution's standard deviation.

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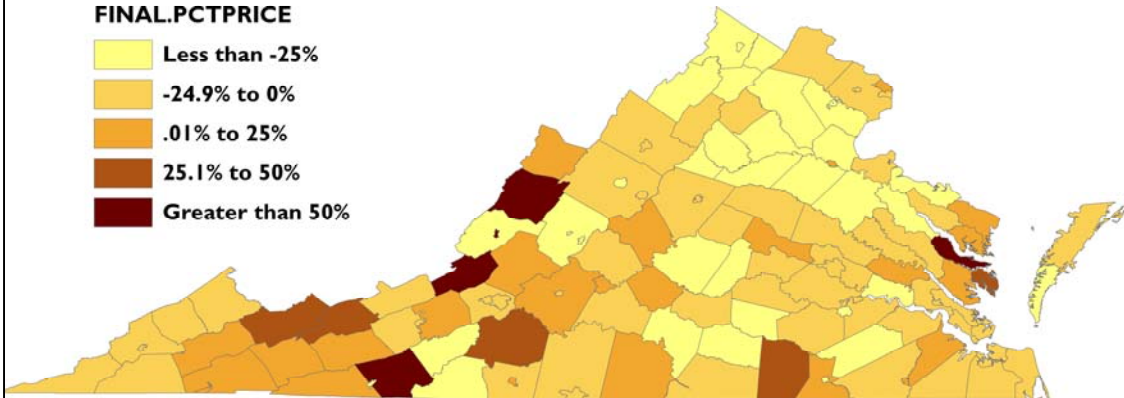


Map 4. Percentage Change in Median Home Sale Price by Jurisdiction from 2nd Quarter 2008 to 4th quarter 2010.

Legend

FINAL.PCTPRICE

- Less than -25%
- 24.9% to 0%
- .01% to 25%
- 25.1% to 50%
- Greater than 50%



Data Source(s): Median Sale Price and Total Home Sales provided by the Virginia Association of REALTORS.
Real Estate Owned Properties provided by RealtyTrac.
Residential Vacancy data provided by the US Decennial Census, 2010 Sfl.

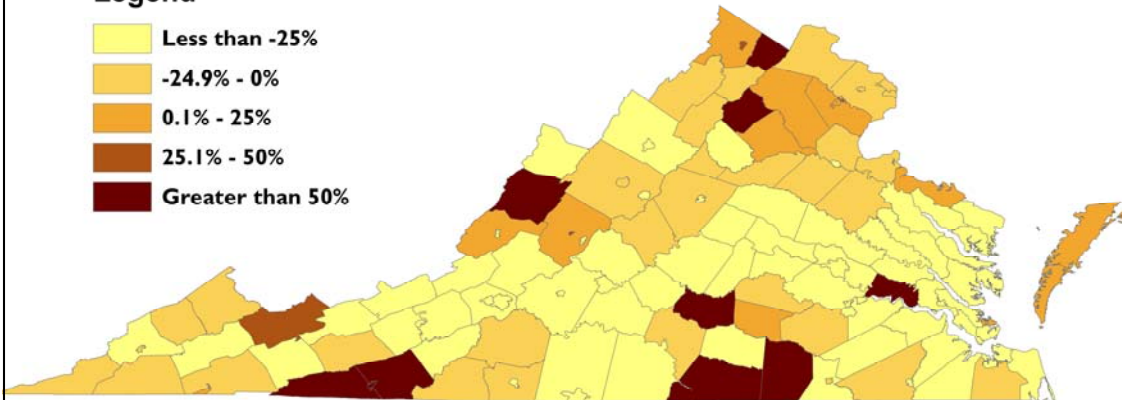
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Map 5. Percentage Change in Sales per Jurisdiction from 2nd Quarter 2008 to 4th quarter 2010.

Legend

- Less than -25%
- 24.9% - 0%
- 0.1% - 25%
- 25.1% - 50%
- Greater than 50%



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