

# Affordable Housing Demand in Henrico County, Chesterfield County and City of Richmond

Prepared by

Center for Housing Research  
C. Theodore Koebel, Ph.D. Director  
Kevin R. Byrd  
Virginia Tech  
Blacksburg, Virginia

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## **Summary**

- Total housing demand is projected to increase during the current decade by 14,600 and 19,100 households in Henrico and Chesterfield Counties, respectively, but to decrease by 1,400 households in Richmond.
- Owner demand is projected to increase by 10,800 households in Henrico, 16,200 households in Chesterfield, and to slightly increase by 200 households in Richmond.
- Renter demand is projected to increase by 3,900 households in Henrico, 2,800 households in Chesterfield, and to decrease by 1,600 households in Richmond.
- Chesterfield County is projected to have the largest increases in demand for affordable housing, followed by Henrico County. The demand for affordable owner units (with values of \$140,000 and under) is projected to increase by 9,400 units in Chesterfield and by 4,100 units in Henrico. In contrast, demand for affordable owner units in Richmond will only increase by 600 units.
- Affordable rental demand (households using >30% AMFI for housing) is projected to increase by 4,800 units in Chesterfield, 3,500 units in Henrico, and to decrease by 600 units in Richmond.
- Affordable owner demand among younger households (below age 45) is projected to decrease slightly by 100 units in Henrico and increase by 1,700 units in Chesterfield. In Richmond, affordable owner demand is projected to decline by fewer than 500 units.
- Affordable rental demand among younger households is projected to increase by 800 units in Henrico and by 1,700 units in Chesterfield, but to decrease by 1,600 units in Richmond.
- Affordable rental demand among households aged 65 and older is projected to increase by 800 units in Henrico, by 500 units in Chesterfield, and by 200 units in Richmond.
- Although demand for affordable housing has increased, its supply has not. Between 1990 and 2000, the supply of units below \$40,000 in constant 1990 dollars was stagnant or had decreased. Except for a sizeable increase in units between \$80,000 and \$100,000 in Chesterfield, the expansion of supply occurred for units with values above \$100,000 in 1990 dollars or \$131,000 in year 2000 dollars. Changes in other categories were minor.
- Between 1990 and 2000, units renting below \$250 per month (in 1990 dollars) increased in Henrico, but not elsewhere. The next significant expansion in rental supply was for rents between \$350 and \$450 in Henrico and Chesterfield while the

supply in Richmond declined. The most significant amount of rental expansion occurred in Henrico and Chesterfield with units of rents \$550 and above. Richmond saw its largest decline in rental supply in the \$550 to \$650 range.

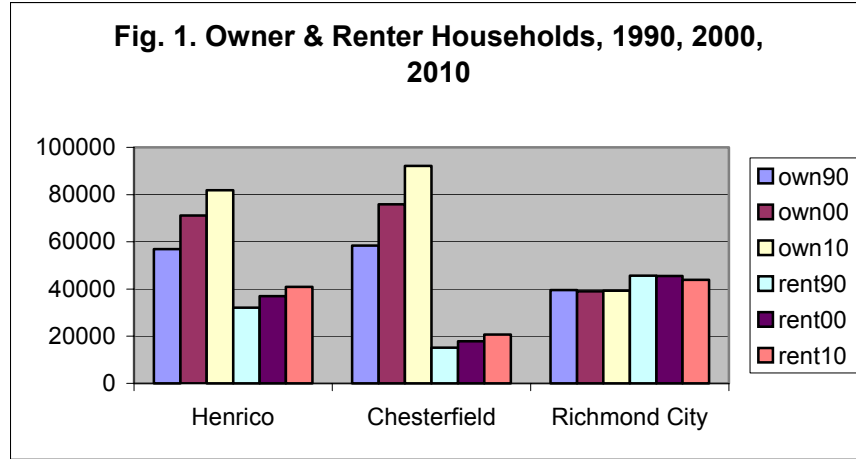
- Changes in housing demand roughly parallel employment trends. Employment increased by more than 50,000 jobs in Henrico, by almost 40,000 in Chesterfield and decreased by 25,000 jobs in Richmond during the past decade. At the same time, households increased in Chesterfield and Henrico by 20,000 and 19,000, respectively, while they decreased in Richmond by about 700. As jobs continue to shift to suburban locations, housing affordable to all workers should be developed.
- From 1990 to 2000, between 3,000 and 5,000 less residents of Chesterfield and Henrico, respectively, traveled to Richmond for employment.
- Henrico has the largest housing supply gap relative to job expansion between 1990 and 2000 (-25,194 units) while Chesterfield has a gap of -11,457. The significant loss of jobs in Richmond between 1990 and 2000 resulted in a surplus housing supply gap of 18,782 units relative to employment.

## **Affordable Housing Demand in Henrico, Chesterfield, and Richmond**

Housing demand has grown steadily in Henrico and Chesterfield Counties in both the owner and renter housing markets (Figure 1 and Table 1). There were nearly the same number of owner households in Henrico and Chesterfield Counties in 1990 (about 58,000). Both areas grew substantially in the number of owners during the 1990s, increasing 25% in Henrico and 30% in Chesterfield. Based on currently available population projections and income trends during the 1990s, we project both the numerical increase and the rate of increase to slow during the current decade (2000-2010). In contrast, ownership demand decreased in the City of Richmond from 1990 to 2000. We project this decline to accelerate during the current decade, going from -1% to a -3% over ten years.

The decade of the 1990s saw relatively low interest rates combined with significant growth in employment and income. High returns to investors during the decade contributed to gains in real incomes, although gains from wages were less dramatic. The current decade will undoubtedly post a different economic record, although both decades started with recessions. Historically low interest rates have stimulated home buying, despite an otherwise sluggish economy. Housing construction, particularly single-family housing, has remained robust. Whether interest rates will stay low and economic growth return will only be revealed in an all-too-uncertain future. Our demographic future is less uncertain: the Richmond metropolitan area will become older as the baby-boom cohort matures toward retirement and is replaced by smaller cohorts.

Rental demand grew much less rapidly during the 1990s than did owner demand. Renter demand in Henrico increased by 15% during the decade and was outpaced by Chesterfield's expansion of 19%. Both of these rates were 10 percentage points below the growth rate for ownership demand. Renter demand decreased in Richmond by less than 1%, a trend we project will accelerate slightly. At the turn of the century, nearly 10,000 more renters lived in Henrico and Chesterfield than in the city. As was the case during the 1990s, all of the expansion in rental housing demand will likely occur in Henrico and Chesterfield rather than in Richmond. By 2010, Henrico's rental market alone is projected to be nearly equal in size to Richmond's. Chesterfield will account for another 20,000 renters. Henrico and Chesterfield combined will account for 60% of the renters living in the three jurisdictions. These changes reflect fundamental shifts in demand for housing as jobs have dispersed throughout the region. Housing demand in Henrico and Chesterfield is now highly diverse and ranges across all segments of the market.



**Table 1. Owner and Renter Households, 1990, 2000, 2010**

	Owners			Renters		
	1990	2000	2010	1990	2000	2010
Henrico	56,846	71,085	81,791	32,069	37,043	40,973
Chesterfield	58,388	75,874	92,119	15,117	17,898	20,760
Richmond City	39,510	39,017	39,237	45,717	45,535	43,849

Source: US Bureau of Census

In constant 1990 dollars, the number of households in every income category increased between 1990 and 2000 (Table 2) in Henrico and Chesterfield, although the larger numerical increases were among higher income households. Nonetheless, one-in-five and one-in-three households in Henrico and Chesterfield in 2000 had incomes below \$25,000 (in 1990 dollars or about \$33,000 in 2000 dollars). In addition, we project significant increases in lower-income housing demand in Henrico and Chesterfield. However, this projection is preliminary. Some of this increase in low-income demand is due to aging in place and does not necessarily point to the need for low-income housing production. Additionally, the specific factors (primarily age and household type) influencing these trends need further investigation.

**Table 2. Households by Income, 1990, 2000, 2010**

1990\$	<5k	5-14.9	15-24.9	25-34.9	35-49.9	50-74.9	75-99.9	100k+
Henrico								
1990	2,740	10,357	15,035	15,475	18,683	17,196	5,348	4,081
2000	5,504	14,090	17,535	16,306	19,593	20,688	6,306	8,160
2010	6,404	16,462	19,967	18,451	21,903	23,198	7,089	9,290
Chesterfield								
1990	1,605	5,219	8,741	11,017	17,138	19,337	6,442	4,006
2000	1,942	6,702	12,270	13,900	19,382	22,815	9,115	7,647
2010	2,434	8,365	14,975	16,706	22,935	27,054	11,045	9,366
Richmond								
1990	9,064	18,779	16,887	13,216	12,896	8,630	2,894	2,868
2000	4,311	11,030	13,712	12,751	15,281	16,170	4,925	6,372
2010	4,342	11,099	13,523	12,370	14,837	15,790	4,809	6,316

Source: US Bureau of Census

Although projected increases in younger households point to an increase in lower-income housing demand, most of the projected growth in Henrico and Chesterfield Counties is in the 35-54 and 55-64 age ranges (Table 3). These are generally years when incomes and ownership rates are fairly high.

<b>Total Households</b>	<b>Henrico</b>	<b>Chesterfield</b>	<b>Richmond</b>
15-24	1,123	749	177
25-34	982	1,595	-1,721
35-54	2,598	6,310	-2,924
55-64	5,870	6,921	2,386
65-74	2,485	2,506	580
75+	1,578	1,026	36

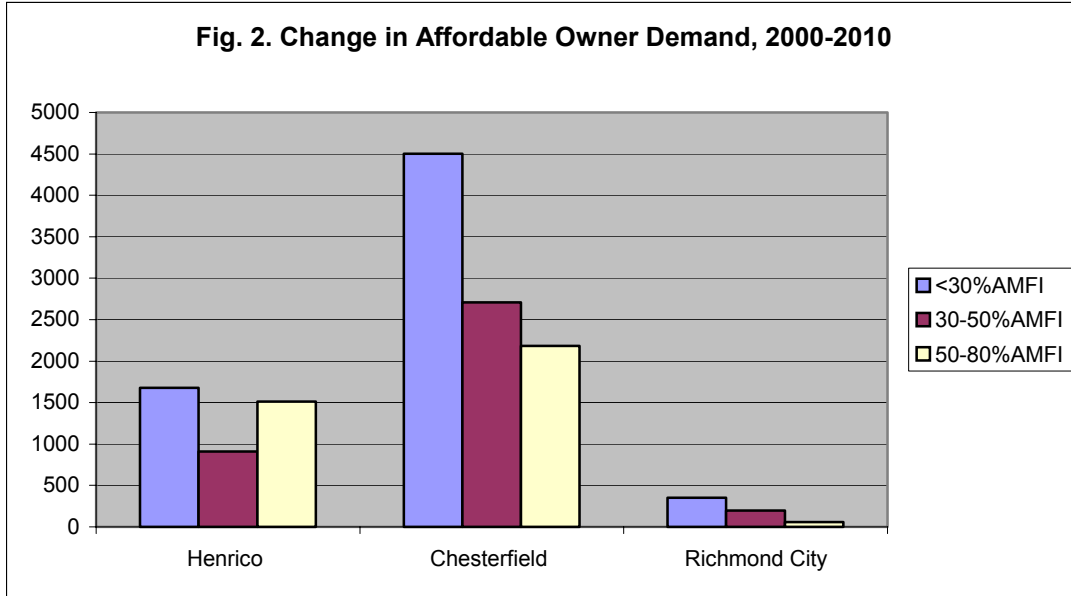
Source: US Bureau of Census

Additionally, the largest projected increases in Henrico and Chesterfield are for husband-wife families (Table 4), which have much higher incomes and higher homeownership rates on average than other household types. Other families (primarily single-parent households) and non-families (single persons, unrelated roommates, or unmarried couples without children) are projected to increase significantly, which would contribute to growth in lower-income households. Nonetheless, until further research documents the projection of substantial increases in low-income households in Henrico and Chesterfield, these projections should be interpreted with caution and considered preliminary and subject to revision.

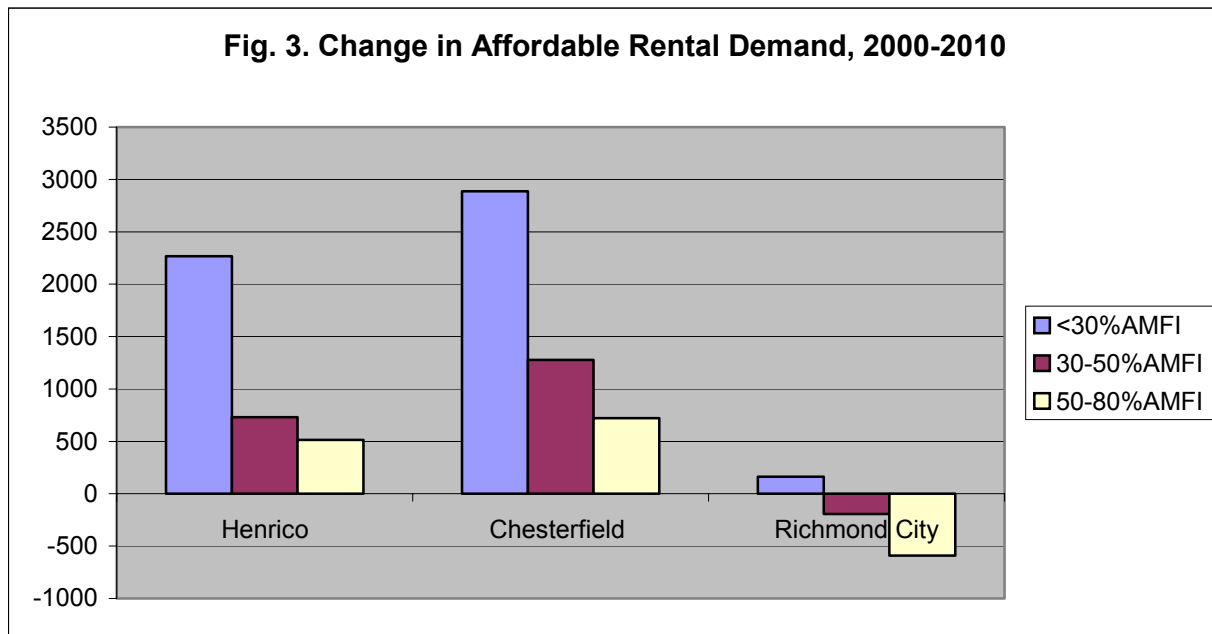
	<b>Henrico</b>			<b>Chesterfield</b>			<b>Richmond</b>		
	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Husband-Wife	47,841	52,171	59,200	49,804	58,363	70,298	28,158	22,898	22,540
Other Family	12,309	17,666	19,626	9,112	13,776	16,125	19,164	20,751	20,081
Non-Family	28,765	38,291	43,929	14,590	21,633	26,455	37,946	40,900	40,413

Source: US Bureau of Census

Based on these projections, we forecast affordable housing demand (households with incomes below 80% of the metropolitan median) to increase for both owner and renter housing in Henrico and Chesterfield Counties. In Henrico the demand for affordable owner units (with values of \$140,000 and under) increases by 4,100 units during the ten-year period, while in Chesterfield the increase is 9,400 units (Figure 2). In Richmond, the increase is only 600 units.

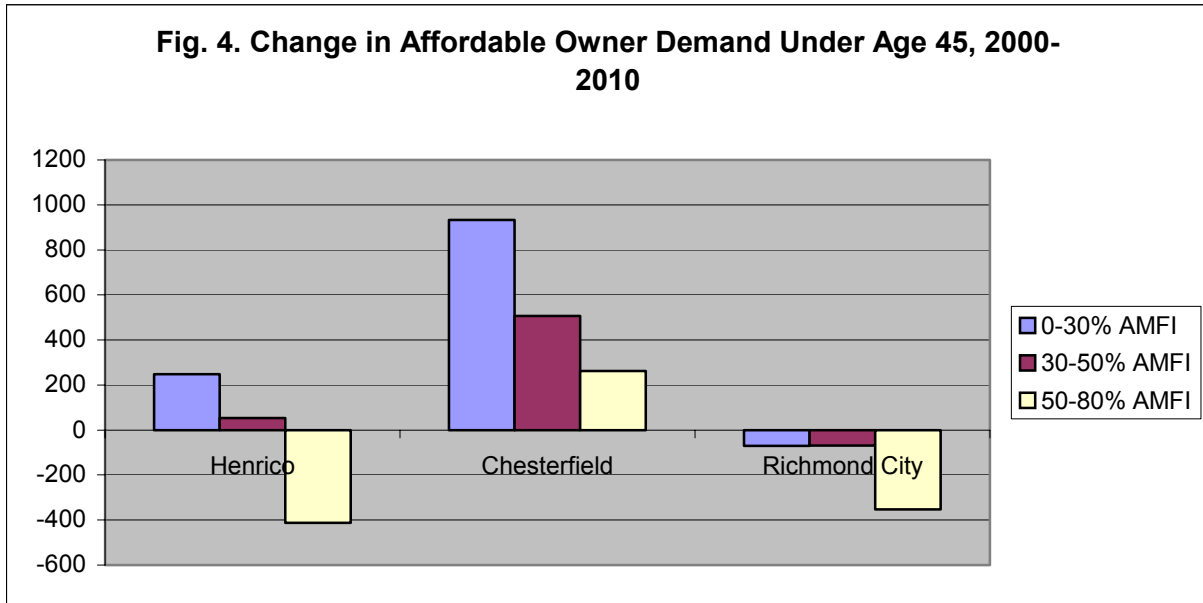


The projected change in affordable rental demand (Figure 3) is for 3,500 units in Henrico, 4,000 units in Chesterfield, and a loss of 600 renters in Richmond. Chesterfield is projected to have the largest increases in affordable owner demand along with the largest increases in affordable renter demand.



These projections include households who were already housed in each of these areas, but who are projected to change from a higher to a lower income category. This is particularly true of the elderly, as incomes drop after retirement. To control for the effects of retirement on shifting households from higher to lower income categories (regardless of how well they are housed) and for the impact of the large baby boom cohort (roughly those born between 1945-1955), we next

examine the increase in demand among households under age 45 in 2000 (Figure 4). These are households born after 1955.

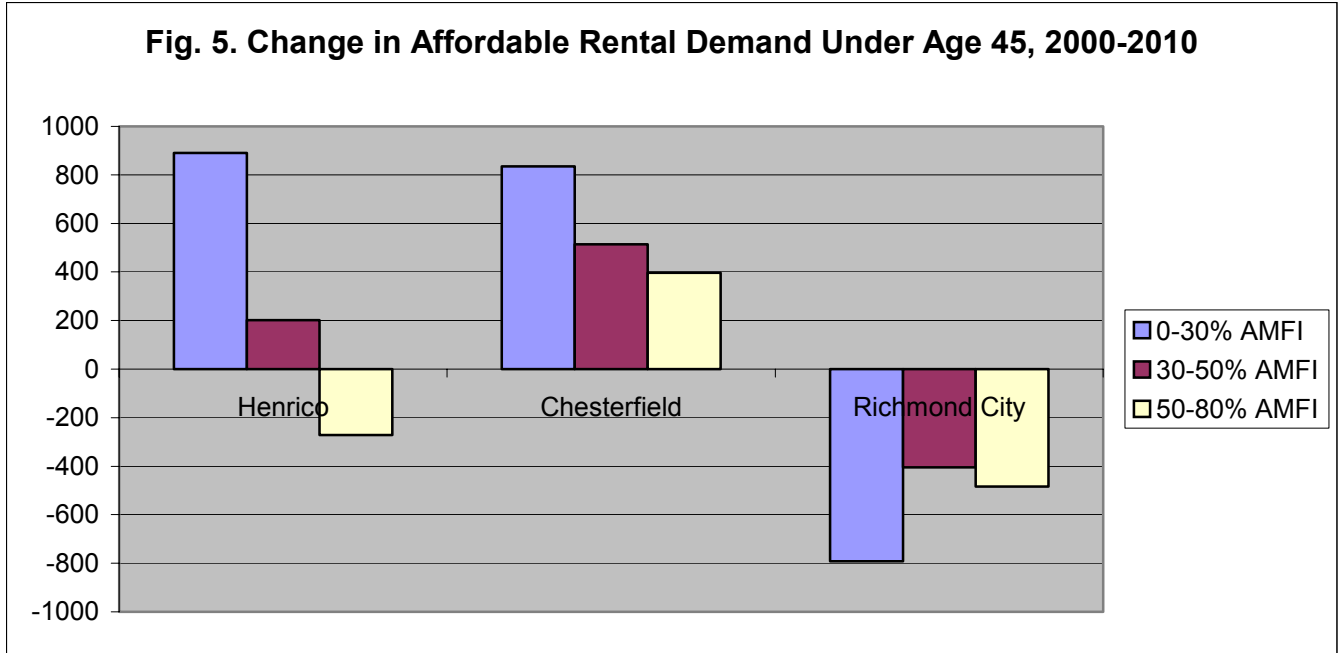


The total increase in affordable owner demand among these younger households is projected to decrease by 100 owners in Henrico, increase by 1,700 units in Chesterfield, and is projected to decline by 500 units in Richmond. Ownership demand among extremely low-income households (below 30% of the area median family income or AMFI) requires sales prices below \$45,000 (in 2000 dollars), which are not achievable without significant subsidies. Many of these households are likely to be restricted to the rental market.

Ownership for households between 30% and 80% of the area median family income is more feasible, but requires concerted effort on the part of the public and private sectors. In both Henrico and Chesterfield, this market segment is projected to grow by about 800 units over the decade. Households with these incomes can afford units ranging from \$44,000 to \$140,000.

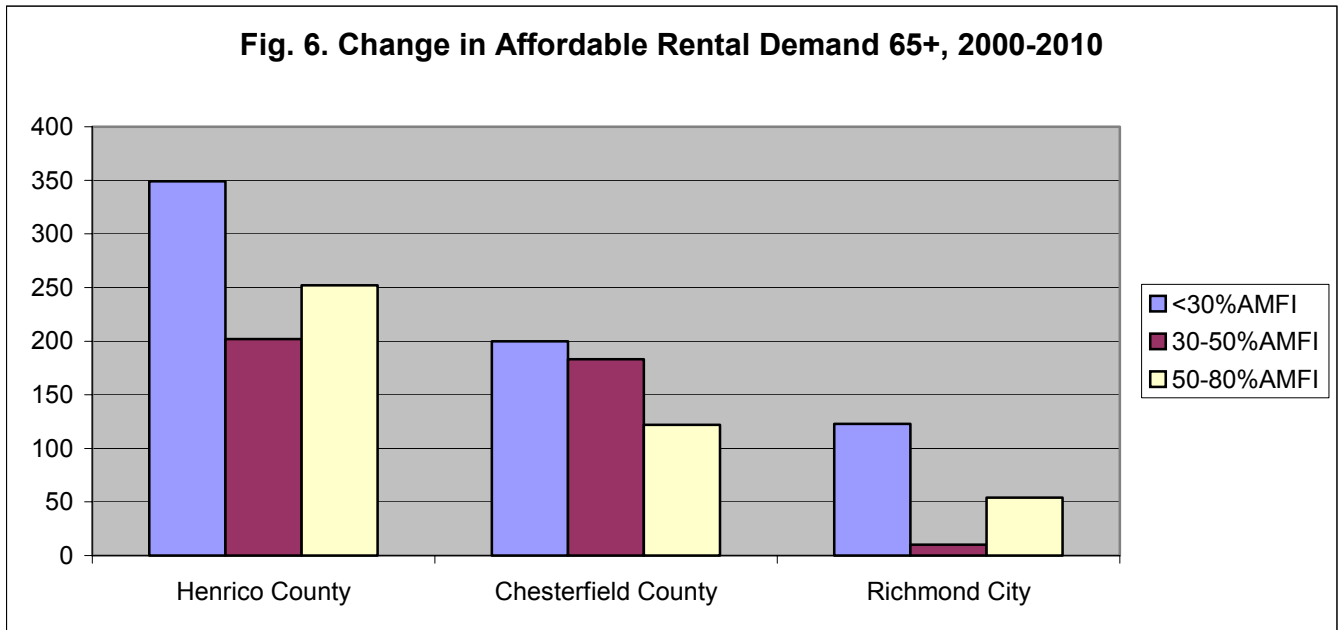
Affordable rental demand among younger households is projected to increase by 800 units in Henrico and by 1,700 units in Chesterfield (Figure 5). Households with extremely low incomes (below 30% AMFI) require rents below \$400. Households with incomes between 30% and 80% of the area median can afford rents ranging from \$400 to \$1,000. Demand by younger households for rental units in this price range is projected to decrease by less than 100 units in Henrico and increase by 900 units in Chesterfield.



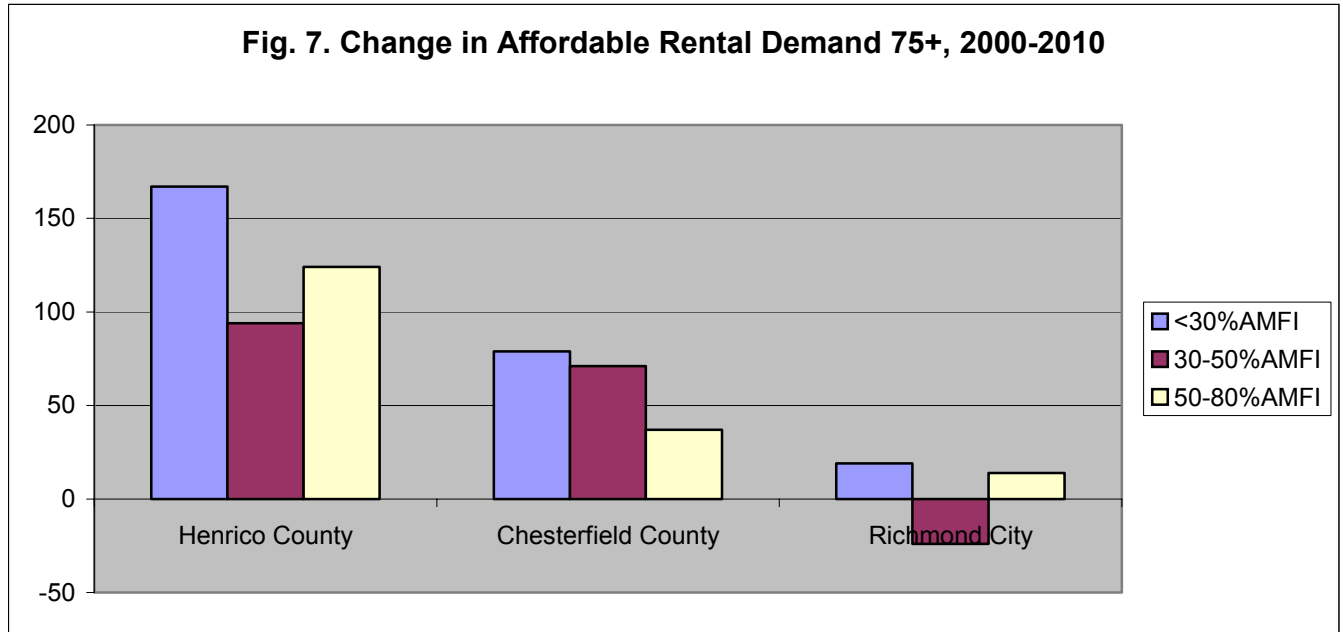


Additionally we examine the change in housing demand, specifically rental housing, among households aged 65 and older as well as those 75 and older. These households represent a growing segment of affordable housing demand, particularly among households with incomes below 30% of the area median.

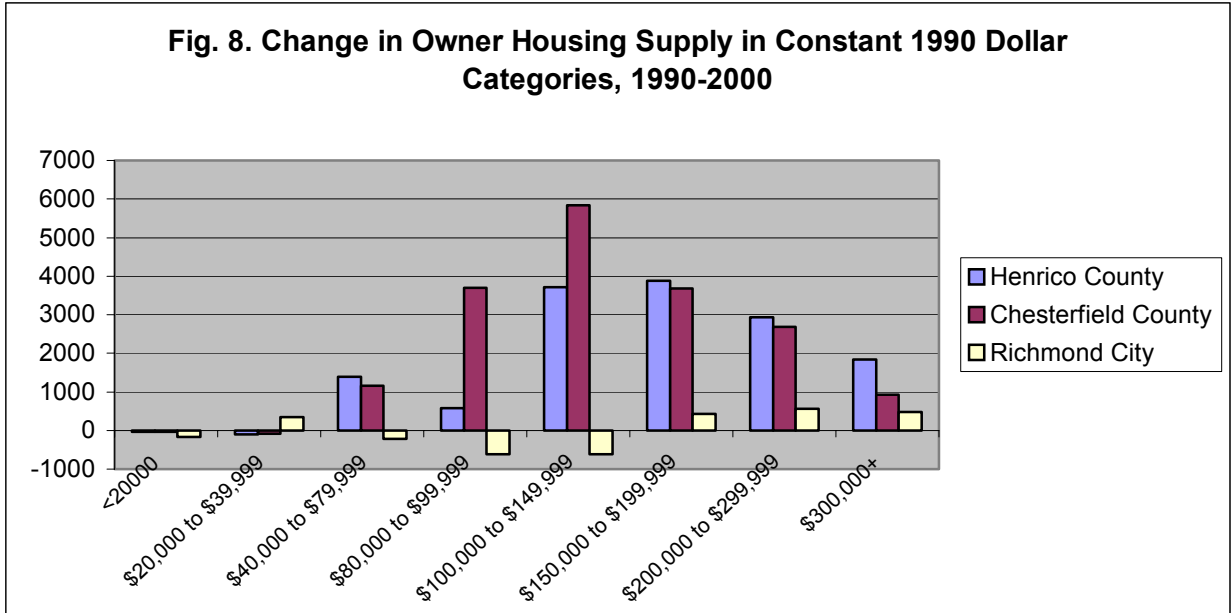
Affordable rental housing demand among households aged 65 and older is projected to increase by 800 units from 2000-2010 in Henrico, by 500 units in Chesterfield, and by 200 units in Richmond (Figure 6). In Henrico and Richmond, these increases are predominantly in the lowest income category.



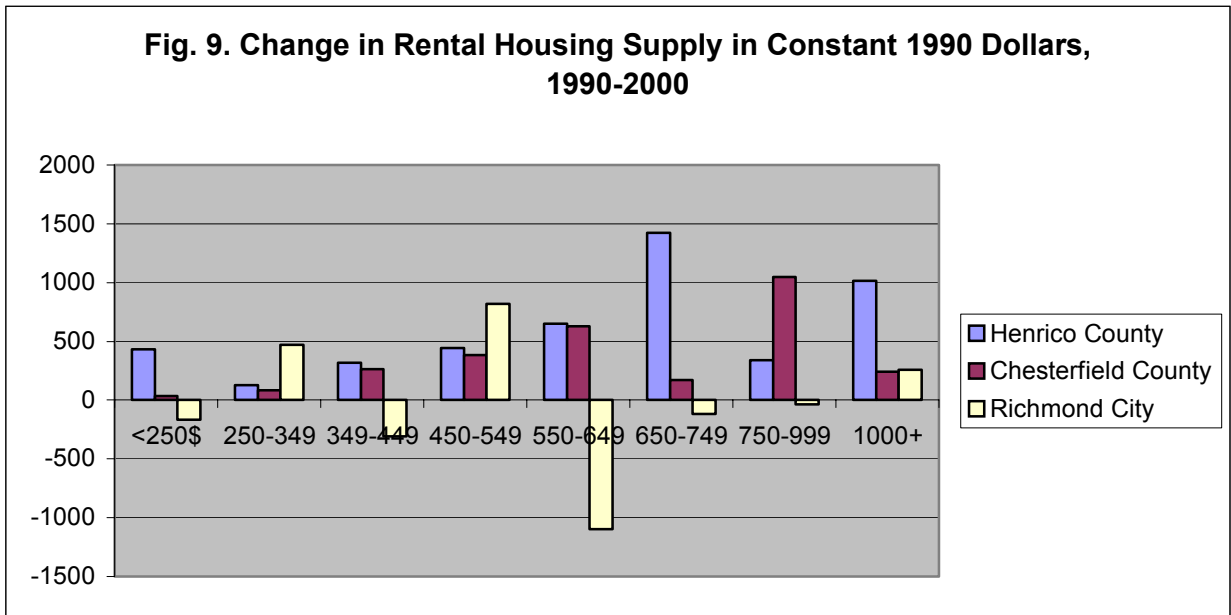
A significant portion of the increase in affordable rental demand for households aged 65 and over is among those 75 and older (Figure 7). This is particularly the case for households with elderly renter households with incomes between 30% and 80% of the area median. Overall, affordable rental demand for households aged 75 and older is projected to increase by 400 units in Henrico, 200 units in Chesterfield, and remain constant in Richmond.



Although demand for affordable housing is increasing, its supply has not. Figure 8 presents the supply of owner-occupied or for-sale housing (from the 1990 and 2000 Censuses) in constant dollar categories (using 1990 dollars). The supply of units below \$40,000 was stagnant or decreased. Although the supply of units between \$40,000 and \$99,999 increased in both Henrico and Chesterfield Counties, this increase was rather modest except for a sizeable increase in units between \$80,000 and \$100,000 in Chesterfield. (A house worth \$100,000 in 1990 dollars would be worth \$132,000 in year 2000 dollars.) The supply of owner housing increased much more substantially above \$100,000 in both Henrico and Chesterfield, with Chesterfield leading in the expansion of units between \$100,000 and \$150,000 (in 1990 dollars).



The change in rental housing supply in constant dollars presents a more complicated pattern (Figure 9). Units renting below \$250 per month (in 1990 dollars) increased in Henrico, but not elsewhere. The next significant expansion in rental units in Henrico and Chesterfield was for units with rents between \$350 and \$450. However, most of the expansion in Henrico and Chesterfield was for units with rents of \$550 and above.



The erratic decrease and increase from one rent level to the next in Richmond is most likely an indication that rents did not increase on par with inflation. For example, the increase in units in the \$250-349 category is significantly offset by a “decrease” in units in the \$349-449 category. In all likelihood, these were the same units in 1990 and 2000, but they remained in the lower rent category. The decrease in units with very low rents (less than \$250) and the increase in those

with very high rents (\$1000+) in Richmond more likely reflects actual changes in the supply of rental housing.

## **Jobs and Housing in Henrico, Chesterfield, and Richmond**

Total employment (by place of work) significantly increased by more than 50,000 jobs in Henrico and almost 40,000 in Chesterfield, but decreased by 25,000 jobs in Richmond from 1990 to 2000 (Table 5). Both Henrico and Chesterfield experienced close to a 40% increase in jobs during the past decade while Richmond lost nearly 12% of its job market.

	<b>1990</b>	<b>2000</b>	<b>Change</b>	<b>Percent Change</b>
Henrico	142,293	194,787	52,494	36.9%
Chesterfield	98,961	137,622	38,661	39.1%
Richmond	221,241	196,175	-25,066	-11.3%

Source: US Department of Commerce, Bureau of Economic Analysis

Changes in housing demand roughly paralleled employment changes. Chesterfield experienced the largest increase in households during the decade (20,000), while Henrico added 19,000 households (Table 6). Both counties increased their total number of households by over 20%. During the past decade the total number of households in Richmond declined by 700.

	<b>1990</b>	<b>2000</b>	<b>Change</b>	<b>Percent Change</b>
Henrico	88,915	108,128	19,213	21.6%
Chesterfield	73,505	93,772	20,267	27.6%
Richmond	85,227	84,552	-675	-0.8%

Source: US Bureau of Census

Journey to work data provides some additional insight into the jobs-housing relationship (Table 7). Between 1990 and 2000, there were 3,000 and 5,000 fewer people traveling to Richmond for employment from Chesterfield and Henrico, respectively. Commuting between and within the suburban counties has increased dramatically since 1970, while commuting into Richmond has been declining since 1980 from Henrico and since 1990 from Chesterfield. Commuting from Richmond to the suburbs, particularly Henrico, has increased substantially since 1980.

<b>County of Residence</b>	<b>County of Work</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>1990-2000 Percent Change</b>
Chesterfield	Chesterfield	9,059	20,082	50,119	61,464	22.6%
Chesterfield	Henrico	1,674	5,823	12,738	20,329	59.6%
Chesterfield	Richmond	14,245	33,753	37,824	34,899	-7.7%
Henrico	Chesterfield	2,229	1,977	5,601	7,739	38.2%
Henrico	Henrico	17,774	31,079	58,526	75,376	28.8%
Henrico	Richmond	42,299	54,254	45,136	39,759	-11.9%
Richmond	Chesterfield	5,663	4,690	8,696	9,449	8.7%
Richmond	Henrico	8,610	10,934	17,034	20,956	23.0%
Richmond	Richmond	77,486	78,783	63,576	51,534	-18.9%

Source: US Bureau of Census

The changes in job locations and commuting patterns raise important concerns about the location of affordable housing within the region and, specifically, whether low-wage and other modest-wage workers can obtain housing as well as jobs in the suburbs. In order to estimate how well the housing market has kept up with potential demand related to the creation of jobs, we estimated the number of workers (full and part-time) per household for each jurisdiction (1.45 Chesterfield, 1.28 Henrico, 1.07 Richmond). The range in the average number of workers per household reflects differences that are partly due to housing supply characteristics (e.g. Chesterfield is dominated by single-family housing stock and consequently has larger households). To avoid biasing the results due to the housing stock that already exists in an area, we used the average number of workers per household for all three areas combined (1.28). Dividing the number of jobs (both full and part-time) created in an area by the average number of workers per household estimates the number of households associated with those jobs. The amount of housing units required to house these workers is then estimated by adding a vacancy adjustment (5%) to the number of job-related households.

To estimate the extent to which the suburban housing market has kept up with the potential increase in demand related to job creation, we calculate a “housing supply gap”. The housing gap is the shortage (or excess) of increased housing supply relative to jobs by place of work. The increased housing supply was measured as the change in total housing units between the 1990 and 2000 censuses.

The housing supply gap analysis was applied to identify housing shortages for workers within Richmond, Chesterfield and Henrico. This analysis tool accounts for the supply by analyzing the change in households tied to job growth by place of employment (1990-2000), the actual household change, and the housing vacancy rate. Table 8 displays the results of the housing supply gap analysis relative to jobs.

	Units Needed	Units Added	Difference	Percent
Chesterfield County	31835	20378	-11457	-36.0%
Henrico County	43225	18031	-25194	-58.3%
Richmond City	-20641	-1859	18782	NA

Source: Center for Housing Research

Henrico represents the area with the largest gap between housing for employed people and jobs within the county (-25,194 units) followed by Chesterfield (-11,457 units). Since Richmond declined as a place of employment, it has a surplus in the housing supply gap of 18,782 units. The expansion of jobs in the suburbs and the reduction of jobs in the central city are obviously related. To some extent, the migration of jobs followed the previous migration of population.

Several cautions must be noted about this analysis. First, any calculation of job growth is reliant on the periods selected. Changes in the number of jobs (i.e. employment) between two periods can reflect both cyclical changes (due to different positions in a trough-to-peak business cycle) and long-term growth. Second, within a regional job market, jobs “created” in the suburbs could reflect the transfer of the location of that job within the metropolitan area rather than the creation of a new job. Historically many more people have commuted into the City of Richmond from the suburbs than in the opposite direction. Consequently, jobs leaving the city for the suburbs might

be moving closer to where those jobholders now live and would not result in a net increase in housing demand. Third, the analysis only estimates the gross shortage of job-related housing in an area. Without a more detailed analysis of the wages or salaries associated with jobs and the prices (rents) available in the local housing market, it is impossible to know the price (rent) segment of the housing supply gap. Finally, the location of jobs and housing are only loosely connected within a metropolitan area. Cross-jurisdiction commuting has been a matter of consumer choice and housing supply. Neither the employment nor the housing market can be planned centrally without losing the freedom of choice provided by those markets.

Consequently, the “housing supply gap” is only a rough indication that housing supply has not kept up with demand related to job growth in the suburbs. Nonetheless, it suggests that the increase in housing has not kept pace with the increase in jobs in either Chesterfield or Henrico Counties. Given that most new housing bears prices or rents that would be unaffordable to lower-wage jobs, this housing supply gap is most likely to be much more acute for those jobs than for higher income market segments.

## **Conclusion**

The data and projections reviewed in this report clearly support expanding the affordable housing supply in the suburbs. The expansion of jobs in the suburbs has resulted in a housing supply gap that is most likely concentrated at the lower-end of prices and rents. Current population projections suggest that demand for affordable housing will continue to increase.

We conclude that the case for affordable housing in Henrico and Chesterfield Counties is effectively made with the data presented. The dispersion of jobs to multiple suburban locations reduces the benefit of centrality particularly for transportation. Jobs in suburban locations typically require personal rather than public transportation. The cost of commuting from Richmond to a minimum wage or other modest-wage job in the suburbs can significantly reduce the household’s potential net income. Few, if any, would find either the time or the cost productive. Access to these jobs requires closer housing opportunities. Instead of paying unproductive transportation costs, these families and the community would be better served by reducing transportation costs and spending more on goods and services that enhance their lives (including housing). At the same time, suburban housing development obviously has an impact on the City of Richmond. As with the significant expansion of middle-class housing in the suburbs, any large-scale increase in the supply of affordable housing in Chesterfield and Henrico Counties could cause additional out-migration from Richmond. The suburban gain would be also a loss to the city. We emphatically do not argue that Richmond should be the main supply of affordable housing to lower-income families. Continued and expanded redevelopment of Richmond needs to accompany the expansion of affordable housing opportunities in the suburbs. We recommend pursuing both strategies aggressively and with greater awareness of the interdependencies throughout the metropolitan region.