

WINCHESTER COMPREHENSIVE PLAN 2022

CHAPTER SEVEN

HOUSING

In the modern economy, households locate in an area based on the quality of life there. Businesses follow the workforce, locating near a strong base of employees and customers. So, cultivating the local economy means creating conditions that the workers and shoppers of the future find attractive. All the elements of this Plan –parks, schools, clean air –help create those attractive conditions, but housing may be the most important.

Winchester must have housing choices that newcomers find appealing, or they will move elsewhere, and jobs will follow them away. This chapter outlines how the city can reposition itself by improving its housing stock while respecting the stable neighborhoods and the historic core.

As the largest urban area in the region, Winchester may always have a varying homeless population. Consequently, the City must ensure there are adequate policies in place to address the need for a wide array of emergency, transitional, and permanent housing to serve the homeless.

Citywide Housing Objectives

As noted in Chapter Three there are nine citywide objectives designed to help the City meet its goal for housing.

Provide opportunities for vibrant, high quality, mixed-income, higher density housing in a diverse range in suitable living environments to facilitate economic and social sustainability.

The nine citywide housing objectives are:

1. Increase the appreciation rate of city home values relative to the region.
2. Provide opportunities for and pursue action items to produce new mixed-income and mixed dwelling-type residential use in higher density setting that incorporate the quality design principles of New Urbanism.
3. Facilitate the rehabilitation of existing economically viable substandard housing units in suitable living environments while continuing to maintain the existing character of vibrant residential neighborhoods designated in this Plan.
4. Actively pursue the acquisition and demolition or redevelopment of economically obsolete residential structures except those contributing architecturally to the historic district, or Corridor Enhancement districts, including but not limited to National Avenue.

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5. Increase homeownership opportunities for prospective first-time home buyers.
6. Promote decent affordable housing, particularly to serve targeted populations such as young professionals, college students, and empty nesters.
7. Promote equal opportunity in housing.
8. Pursue means of recovering the costs associated with multi-family rental properties through alternative real estate tax assessments.
9. In coordination with surrounding local government jurisdictions and local non-profit organizations, actively support the homeless population.

PRESENT CONDITIONS

What kinds of housing does Winchester have now?

According to the 2021 Housing Study that the City commissioned RKG Associates to prepare, the following housing characteristics were observed:

- The growth of renter households has outpaced the development of new traditional rental housing units (multifamily developments). Housing conversions have increased in Winchester, creating an imbalance in typical rental housing by housing type. Nearly 40% of rental units in the city are contained in either detached single-family homes or attached townhome/condominiums.
- Housing differs within the City's subareas. Each defined subarea of the city has a different housing makeup, often determined by the period housing was built in that area. Those subareas developed after the 1960s are more traditional single-family subdivisions.
- Housing development in Winchester predominantly has been multifamily since 2010. Recent large multifamily developments have added hundreds of housing units in relatively small land area. The focus on multifamily development is being driven, in large part, due to developers not making enough money on low-density development due to high land costs. Further, redevelopment, which is required in Winchester due to the relatively small amount of greenfields, requires greater density to be profitable.
- In general, Winchester has a large supply of affordable homeownership opportunities for households making between 50% and 80% AMI. However, this finding is slightly misleading. At a base level, there are very few options for households earning at the lower end of this spectrum. Further, appreciation has

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been substantial in Winchester meaning this affordability is waning as prices escalate higher than income levels.

- Price escalation is due, in part, because Winchester does not have enough housing units to meet demand at the highest income levels. The analysis indicates there is a supply gap of nearly 1,400 units for persons earning above 120% of AMI. This imbalance is a lead contributor to price escalations, as competition for the city's limited homeownership supply requires buyers to offer above asking price.
- The most vulnerable households in Winchester are substantially underserved. At a base level, more than 81% of households earning below 30% AMI are cost burdened (paying above 30% of their gross income for housing). Serving households earning below 50% of AMI is a national challenge but is growing in Winchester. Further, those units that are available to these households oftentimes are also in the worst condition, diminishing quality of life.
- New rental housing development is being priced for 100% AMI to 120% AMI income range. While this finding is not surprising given the substantial unmet demand from these higher earners, new development has not been robust enough to mitigate rent escalation being faster than household incomes. Research done for this analysis indicates that unmet demand, particularly for households earning below 80% of AMI, will increase in the future. This issue is particularly challenging for larger renter households as traditional apartment complexes have limited supply of 3+ bedroom units and very few are being developed.
- The lack of larger (3+ bedroom) apartments causing conversion of traditional ownership units to rental. Regulations limiting the development of units with more bedrooms will perpetuate this trend, particularly for townhouse-styled rental units. The city's older, smaller, and comparatively lower cost ownership housing makes it more attractive for investors seeking opportunities to serve this market.
- The city's development pipeline is more robust than past years. The city's building permit database indicates there is more development interest now than had been experienced in the past decade. Approximately 840 rental units and 240 townhome-condominium units are expected to be delivered in next five years. The apartment units are clustered in some larger developments near the downtown corridor (targeting Shenandoah University and young professionals). Further, 200 of rental units expected to be age restricted (55+).
- These known development projects are focused on market-rate development with little price diversity. While it is not certain whether income-controlled units will become part of the program for these projects, there is no indication that any will be added. The current market rate pricing typically targets above 100% AMI (above 120% AMI for ownership housing). While the new housing could ease the

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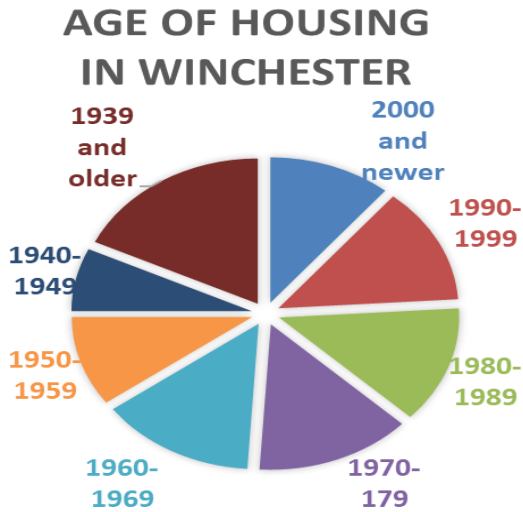
market pressure on lower-cost units, the lack of any income-controlled units will continue to limit housing access and choice for the city's existing modest-income households.

- Impacts of the current economy and COVID-19 will affect the new unit construction. In short, part of the boom in housing demand in Winchester is the push from households to take advantage of new options for telecommuting and from preferences of being outside higher density, urban areas. Much of this increase in demand is from other Northern Virginia areas closer to Washington DC. These buyers and renters tend to have higher incomes, skewing the market's historic ability to pay levels. As a result, price escalation likely will increase without new income-controlled development.
- Growing pressure from these more affluent households will increase price escalation. The projection analysis indicates that demand will outpace supply despite the uptick in building permits. Without new development, prices will continue to rise faster than inflation for both rental and ownership housing. Further, many households are acquiring 'fixer-upper' units, rehabilitating these units (particularly near Downtown). This effort will directly decrease the city's existing affordable supply. While increasing demand from affluent homeowners willing to purchase and rehabilitate housing may reverse conversion trends, it will adversely impact larger, lower income households substantially by decreasing the availability of converted units and drive pricing up for those converted units that remain in the rental pool.
- Ultimately, the supply-demand balance is projected to worsen for lower-income households. Housing costs (both rental and owner) have been escalating substantially faster than incomes in Winchester. As a result, the little supply that is affordable to households earning under 50% of AMI has been decreasing due to market forces. Concurrently, the number of households earning less than 50% of AMI has been remaining steady. Without market intervention, cost burdening and displacement of the most vulnerable Winchester residents will continue.

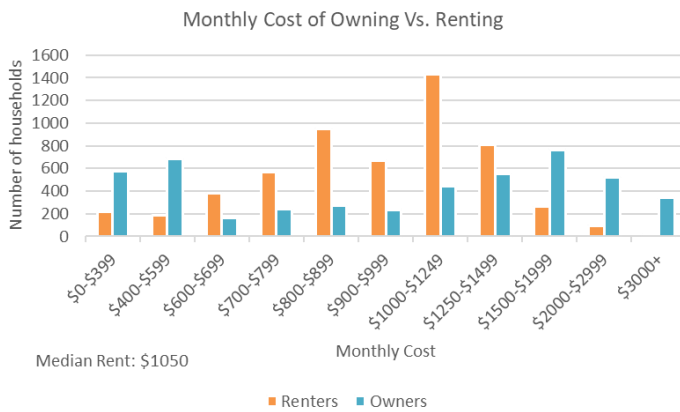
In 2020, the City had 12,328 housing units for 28,705 persons; Census surveys estimated 1,167 vacant units (7.5 percent vacancy). Of the rest, owners occupied 44 percent, and the other 56 percent were rented. Home ownership correlates with low density: in the central corridor, nearly three quarters of dwellings are rented, while on the city's more suburban edges owner occupancy reaches 62 percent.

The chart on the next page shows the age of Winchester's housing stock. About 18 percent of the city's houses predate 1940, with many fine examples of nineteenth century styles. Historic housing is mostly downtown, and the city's Historic District helps preserve them. Almost half of the city's housing, is old but not historic. Some of these units are nearing the end of their economic lives. Nearly a quarter of the city's housing stock is new since 1990 and much of that is either high-end single- or multi-family.

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The chart below shows the monthly costs paid by owners and renters in Winchester. Many renters pay around \$1050 per month, whereas most of the city’s largest and finest homes are owned. The city has seen some new apartment complexes with club houses and pools but still does not have very many luxury rental units, or condo units.



Today, the city’s most valuable housing is mortgaged by dual-income families. Rented units tend to cost less and include a more diverse and transient population. About 1,550 houses are owned with no mortgage. These are generally older and long held in the same family. A significant number of single-family houses have only one occupant, often a widow or widower. Seniors pay little property tax, and the tax code encourages some rigidity in the market as they choose not to occupy smaller units.

FUTURE TRENDS

What kinds of housing does Winchester need for the future?

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Chapter Two explains the demographic changes coming to the city. To make the most of change, the city must have appropriate housing to meet the needs of newcomers or they, and their jobs, will go elsewhere.

The city’s total population is projected to reach about 31,107 by 2030 and 33,031 by 2040. Group quarter population – college dormitories, nursing homes, group homes – amounted to about 800 persons in 2000, but swelled to as much as 1,870 by 2008, partly due to Shenandoah University taking over two former motel establishments and partly due to an influx of privately operated group homes throughout the City. The rapid expansion of group home facilities earned Winchester the unofficial title of ‘Recovery City’ and conflicts with the vision for a sustainable community of choice. Assuming a Census average 2.5 persons per dwelling and assuming no increase in the percentage of group quarter population, that means that an average of 114 new housing units must come onto the market each year to support the City’s projected growth. Over a 10-year period, that is 1,140 new housing units. Winchester should seek to develop the average number of housing units required by this measurement each year.

Factoring in a normal vacancy rate of 11 percent, that adds another 11 units annually for a total of 123 units needing to be constructed each year. And they must be the kind of units that new residents want.

Vacant land within Winchester’s city limits does not provide very much space for building single-family detached houses: most open space is important for environmental sustainability and recreation. Therefore, suburban-styled development of detached houses on large lots is not a viable long-term option. The new housing must take the form of increased density including apartments, townhouses, and condominiums. Greater density on limited land will tend to increase values. The most natural course for the city’s growth is to replace today’s obsolete housing with denser and more valuable units. That is just what the key growth demographics demand.

Winchester has enough existing housing to meet the needs of large households and couples with children, especially since families continue to get smaller over time. There are three demographic growth groups that newer, denser development projects should focus on for housing. These groups are:

Students	Shenandoah University plans to grow enrollment without matching construction of dormitories. So more undergraduate and graduate students will seek rental housing close to the campus and the social life of downtown.
Young professionals	Educated workers, often without children seek housing near their jobs and the shopping and entertainment options of a small city.
Empty nesters	After their children move out, dual-income couples have many years to continue working and living actively. They may seek a smaller dwelling close to their jobs, medical providers, and social and cultural interests.

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Members of these groups often feel less attached to the suburban lifestyle. The energy, diversity, and convenience of a small city appeals to them. These households should fuel Winchester’s sustainable growth, but the city must have the kind of housing they desire.

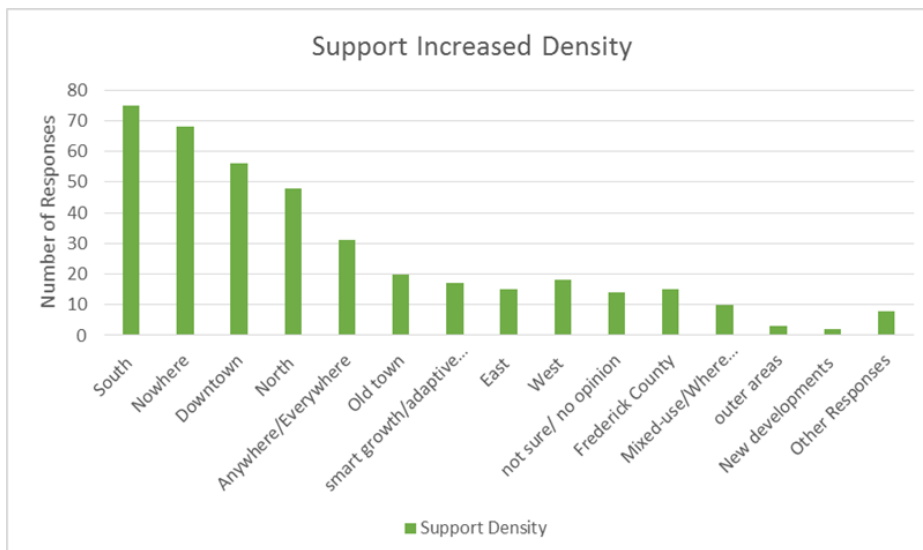
This means:

- More quality apartments and condos downtown and near the university.
- Apartments near, or even above, downtown offices and businesses.
- Luxury apartments with amenities for dual-income couples.
- Condominium units to provide equity investment at similar price and quality to luxury apartments.
- More mixed-use, mixed-income development, especially those providing grocery stores.
- Converting or demolishing obsolete and blighted houses to result in more desirable housing types.
- Senior housing near downtown and Winchester medical center.

Today, Winchester does not have enough of the kind of housing that the future requires. Due to the natural rigidities of the housing market and the current pressures against financing new development, the City must improve market functionality.

It is important that the City does not neglect developing workforce housing. As high-quality housing is produced and the cost of living goes up, residents are forced out as new residents come in. The City should take measures to offset this gentrification, and prevent the existing populations being forced out.

Through Community Input Sessions in the summer of 2019, citizens identified the key area where they wanted more density targeted, and where they wanted taller building heights. For more density, citizens primarily identified the South portion of the City. Other areas that were also identified are Downtown and the north portion of the City.



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Citizens also identified the areas where they wanted higher building density. The primary identified area was downtown, which was differentiated from Old Town by many respondents. Many respondents also indicated that they had no geographic preference to the increase of higher density and simply indicated ‘Nowhere’ or ‘Anywhere’.

While more than 80 respondents said they did not want any taller buildings anywhere, gathered more responses than any other category, it only accounts for roughly 19% of responses. Most other responses express a desire for building heights to be focused in certain areas. These responders make up a distinct majority of the overall responses.

Winchester should consider expanding building heights in the City while taking care to keep the current scale, while updating City ordinances to include wedding-cake style structures. This style has building stories moving back away from the structure’s edge as they get higher, which preserves the historic scale along public streets. (See Chapter 10: Urban Design for more detail)

The City also performed Strength, Weaknesses, Opportunities, & Threats (S.W.O.T) Analysis with community members at Community Input sessions. During the exercises, every session included housing Affordability as either a threat or a weakness.

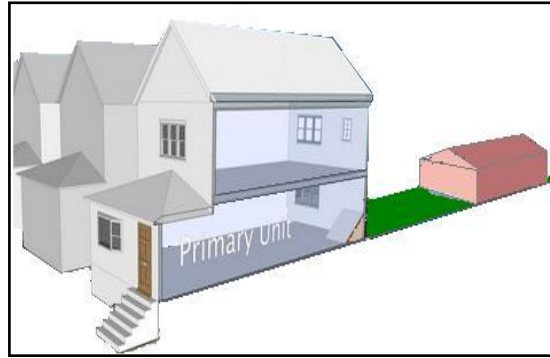
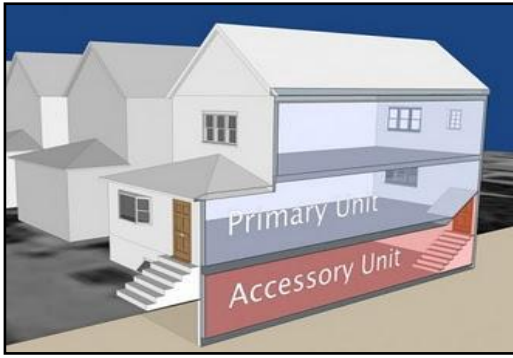
City staff should work with developers to remove obstacles to the creation of a more vibrant housing stock. At the level of individual houses, there are already some incentives for rehabilitation. A homeowner or landlord who improves the value of a house that is at least 25 years old and situated within the Historic District by at least forty percent does not have to pay tax on the added value for ten years. Many older homes could benefit from such renovations. Similar incentives are available within the City’s mapped Enterprise Zones.

Some older houses’ obsolescence amounts to spot blight or dereliction by law. They need to be rehabilitated or demolished. The City already has incentives in place to encourage the rehabilitation or demolition of these structures. Property owners can receive a 10-year tax abatement on the increased value related to rehabilitation or, in the case of demolition, receive up to \$5,000 of demolition value abated for a 10-year period along with reimbursement of building and demolition permit fees.

New, denser, more valuable housing can be built on sites following demolition. Where blighted, vacant structures sap a neighborhood’s vitality, condemnation is appropriate to consider. City planners should help developers consolidate small parcels for redevelopment projects that include the kinds of housing demanding by the changing market.

For key parcels, the city can play a more active role. City finances may underwrite the risks of development, or the city may partner with builders by contributing land and taking a portion of profits. State law permits many other forms of public-private partnership, and staff should remain alert to the possibilities and take the lead in

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educating developers. Such actions are justified when the benefits of the project in catalyzing the growth of a neighborhood –accrue to the public as positive externalities.

The Zoning Ordinance should be revised to channel development into the desired forms. This means incentives for mixed uses, green buildings, mixed dwelling types, and other principles of New Urbanism. Chapter Ten gives more attention to traditional design. Under current law, accessory apartments, and cottages like those shown above are not allowed in most areas. Yet they offer an easy increase in density, especially for students, without changing the façade of a house. If alleys offer safe emergency access, these units should be more generally permitted.

While Winchester does not discourage the conversion of single-family homes to multi-family rentals, nevertheless the Zoning Ordinance should discourage it in areas marked for neighborhood stabilization as depicted on the character map. The city has many stable residential neighborhoods where no great change makes sense. A limited supply of land means that detached, large houses are best used as valuable homes for single families. Denser townhouse and apartment forms are preferable to splitting up the city's largest and oldest houses.

Planning and finance staff should monitor the revenue generated by new housing compared to the services granted by the city. The marginal dwelling and household should yield funding equal to the marginal costs of city services to that household. If the existing regime of taxes and fees does not suffice, then it should be changed.

EQUITY CONSIDERATIONS

What about housing for people with low incomes?

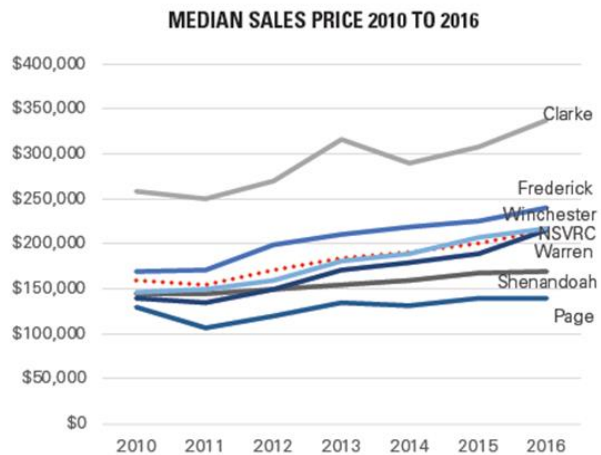
This Plan calls for increased density of housing; that today's blighted and underused property should become denser, higher value stock for new demographic groups to use. The danger of this strategy is that it risks displacing low-income residents. Changing demographics and rising property values that destroy a neighborhood's old character is called gentrification. It is not desirable. Redevelopment efforts should add capacity for desired growth while preserving options for the poor and improving the quality of low-

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income housing. Management and maintenance of low-income housing developments should be scrutinized by the City to ensure that they do not become tomorrow's slums.

As mentioned in Chapter 4, 26% of the Northern Shenandoah Valley Asset-Limited, Income-Constrained, Employed (A.L.I.C.E), residents who are not below the poverty line, but do not have a large disposable income, reside in Winchester.

In 2018, VCU's Center for Urban and Regional Analysis (CARE) conducted a study on the Northern Shenandoah Valley Region, analyzing the housing market and characteristics of the area. In that report, they found that housing values spiked in 2010, and have averaged around \$300,000 since 2015. For Winchester, the average sales price is just under \$250,000. The report further made several recommendations to increase housing affordability for Winchester:



- Expand housing rehabilitation efforts, particularly targeted to senior homeowners.
- To address the severe shortage in affordable homeownership, encourage higher density and smaller footprint homeownership developments.
- Reposition Community Development Block Grant (CDBG) funds to support local housing nonprofits and housing initiatives.
- Consider a voluntary inclusionary zoning ordinance to create a variety of housing types and price points.
- Encourage mixed use development of historic areas to include rental housing.

The report did take note that, of the surrounding localities, Winchester held the vast majority in affordable housing units, and recommended that the counties work to increase their share of affordable housing in the region. These localities, namely Frederick County should work to create affordable housing units in proportion to their population.

The federal definition of affordable housing is costing less than 30 percent of a household's income. If housing costs more than that, there may not be enough left for food, transportation, and the other needs of life. The table on the next page shows local wages for key community jobs and the housing cost that is 30 percent of that income. Such workers might have to share housing or have difficulty supporting dependents.

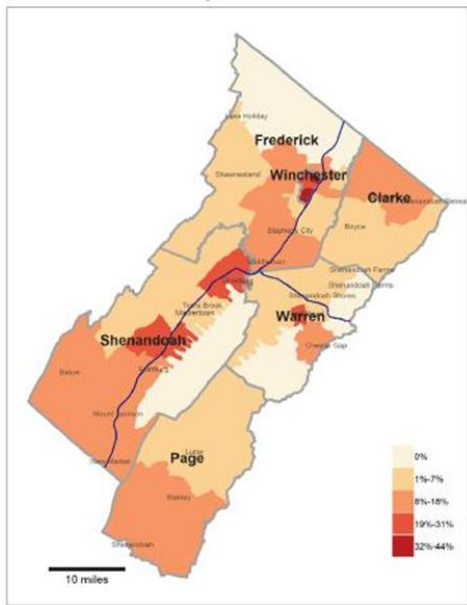
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Wages and Affordable Housing in Winchester		
Profession	Hourly Wage	Affordable Monthly Rent
First-year teacher	\$16.82	\$807
Licensed nurse	\$14.47	\$695
Fast food manager	\$12.50	\$600

Many local households maintain steady occupancy of owned or rented dwellings despite low incomes. Nonprofits like Blue Ridge Habitat for Humanity, Blue Ridge Housing Network and The Salvation Army provide counseling and support. Through a contract with the Virginia Housing (VH), the city’s Office of Housing and Neighborhood Development (OHND) provides housing assistance through the Housing Choice

Vouchers program. Many of the applicants to this program reside outside of Winchester, as seen by, in October 2019, how only 490 of 1254 applicants stated to have lived and or worked in Winchester’s area code 22601.

Percent of units multifamily

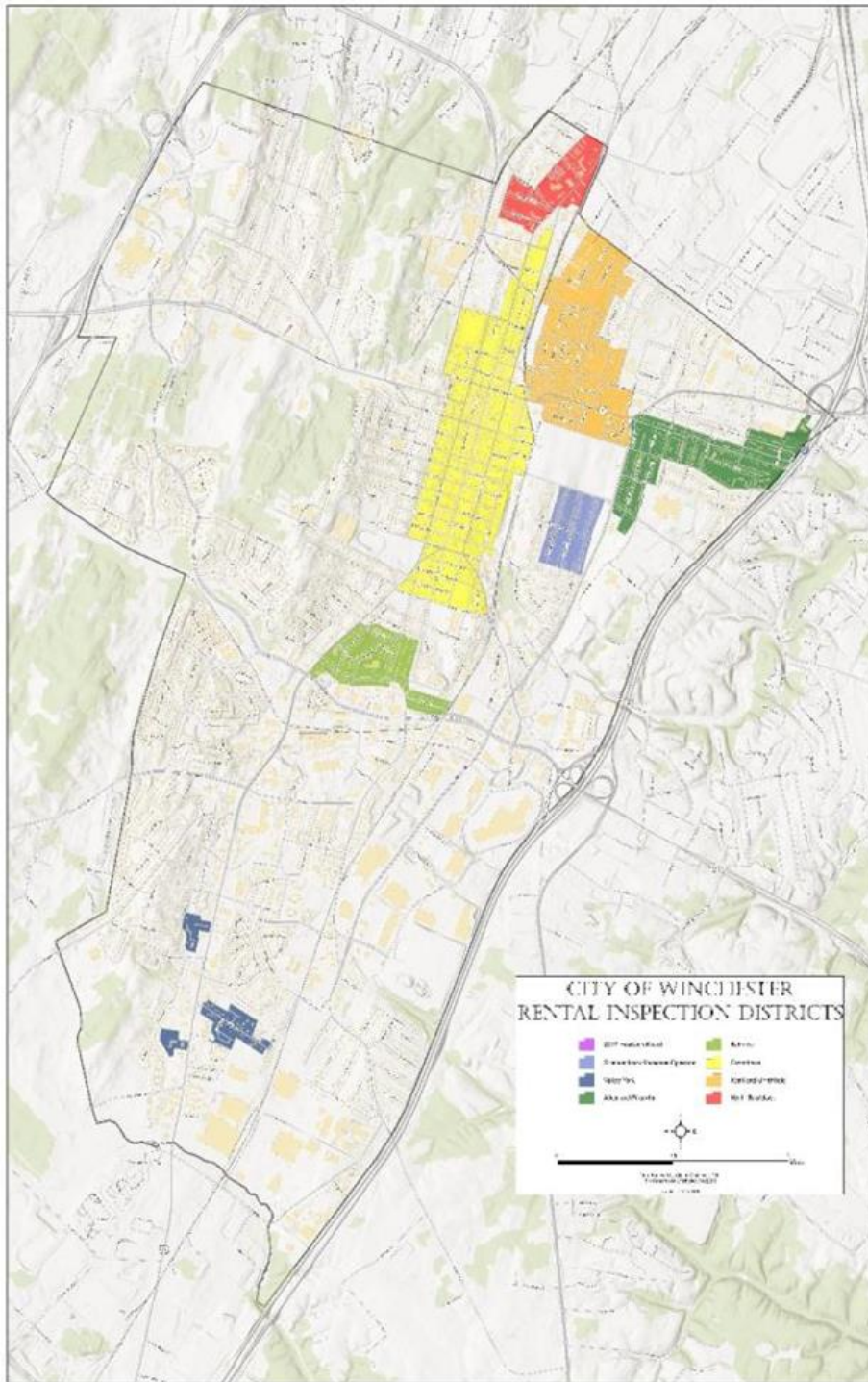


Winchester does not have any public housing projects. Instead, VHDA provides vouchers to households earning less than half of the local median income about \$36,750 for a family of four. With their vouchers, families can rent any property on the private market. The landlord then receives compensation from the state. The waiting list was exhausted before it was reopened in October of 2019. Preference is given to persons who already live or work inside the city limits. There is no shortage of landlords willing to partner with the City. The voucher program promotes mixed income neighborhoods, prevents

homelessness, and preserves free market choices, rather than steering very low-income families to designated housing projects. The tenant pays the landlord a portion of the monthly rent and the VHDA voucher covers the rest. Applicants who already live, work, or have been hired to work are ranked highest. This program allows for up to 70% of rent guaranteed towards the landlord.

City Council established a Rental Inspection Program in 2003 for certain areas of the City where there is a concentration of rental housing in need of code compliance. The picture on the following page outlines the zone for the Rental Inspection Program. City inspectors work to ensure the quality of rental housing and address unhealthy conditions. This work should continue, in partnership with other city staff: police, fire and rescue, and social services staff all have an interest in stable housing for the poor.

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The City should develop an Affordable Housing unit program, in adherence with the state code (15.2-2304), and keep track of the Affordable Dwelling Units (ADU) that are put into the city.

Redevelopment efforts catering to growth demographics should focus on vacant and blighted structures in areas designated for redevelopment or revitalization/infill as depicted on the Character Map in Chapter 9 of this Plan. They should increase density in appropriate neighborhoods and include adding apartments above downtown businesses. Redevelopment should not be a blunt instrument that damages any stable neighborhood.

The City Code includes provisions to provide incentives for revitalizing derelict structures and for recovering blighted properties. It is important to note that blight and derelict structures are distinct from each other. Blighted buildings are properties or dwellings that predominate, by reason of dilapidation, overcrowding, lack of ventilation, light, or sanitary facilities, or any combination of these factors; and are detrimental to safety and health. This is contrast to a derelict, which is simply a building or structure, either completed or incomplete, that might endanger the public's health, safety, or welfare; and for a period more than six months has been vacant, boarded up, and unconnected to utilities.

Finally, while this Plan continues advocating for rental housing, there nonetheless needs to be attention to recovering the costs of impacts associated with multi-family rental properties. Impacts include additional public safety, education, and demand for recreational facilities. One of the housing objectives of this Plan is to mitigate the impacts of multifamily rental development through measures such as alternative tax assessments. This could include assessing multifamily structures on an income-generating basis rather than on a square footage basis as is currently done. Another approach is to charge for services or require privately contracted services such as was done with refuse collection at multifamily complexes several years ago.