Housing Demand Analysis
Northampton County, Virginia

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Introduction and Overview

This report assesses the demand for affordable housing in Northampton County, Virginia. The assessment includes an analysis of the gap between the supply of affordable housing and the demand (or need) for such housing as of April 1, 2000 utilizing special tabulations of Census 2000 data; an assessment of post-2000 growth trends; projections of housing demand for 2010 and 2020; and a discussion of strategies to promote the development of affordable housing.

Although housing in Northampton is generally affordable and the county has had little increase in population, the demand for second homes and retirement homes has resulted in exceptionally high housing prices for desirable waterfront locations. Much more affordable prices are available for in-land locations.

Affordable Housing Gap

A housing gap analysis estimates the deficit/surplus of the housing units that are affordable to certain household income groups both for renter and owner-occupied households. The 2000 Census Comprehensive Housing Affordability Strategy (CHAS) provides special tabulations as a source for estimating that gap, particularly for low-income households.

Extremely low-income renters typically face the most severe shortage of affordable housing (housing costs of less than 30% of household income). Based strictly on the counts of renters and rental units as estimated by the 2000 CHAS data, Northampton had 280 surplus rental units affordable to the lowest income renters (households with income less than 30% of the area median family income of $48,000 in 1999). However, as seen in Table 1, when adjusting for higher income renters living in the units affordable to the < 30% AMFI households, a housing gap emerged. We estimated that 181 renters or 42% in the lowest income category lacked affordable rental units. As the income level increased, the housing gap diminished. About 34% of low income renters (earning less than 80% AMFI) faced an affordable housing gap. Consequently, over one-third of low-income renters were forced to spend larger portions of their incomes for housing than the 30% threshold indicated by the U.S. Department of Housing and Urban Development (HUD) as a nominal measure for housing affordability.

Table 1. Affordable Rental Housing Gap, Northampton, 2000

Household Income	Renter House-holds	Total Units (Occupied + Vacant for Rent)	Surplus Units	Units Occupied by House-holds within Income Limits	% Units Occupied by House-holds above Income Limits	Housing Gap (Renters Beyond Affordable Units)	Housing Gap (% Renters Beyond Affordable Units)
Extremely Low, <30% AMFI	431	711	280	250	63.1%	181	42.0%
Very Low, <50% AMFI	757	1309	552	510	58.8%	247	32.7%
Low, <80% AMFI	1062	1672	610	698	56.4%	364	34.3%

Source: U.S. Census 2000 CHAS and Center for Housing Research

Higher-income households occupied nearly two-thirds of the units affordable to the <30% AMFI renter households and occupied over half of affordable units for the very low (<50% AMFI) and low-income households (<80% AMFI). Although a gap of 364 affordable units does not seem too large when compared to urban areas, the associated housing cost burden impacting Northampton's low-income renter's was significant.

Low-income homeowners in Northampton were affected to a greater extent by an affordable housing gap than were renters (see Table 2). The very low-income owners (household income <50% AMFI) were most affected with a surplus of 462 affordable units before taking into account higher-income owners living in those units. After adjusting for higher-income owners who occupied 64% of the units, there was a deficit of affordable units. The housing gap for owners with incomes <50% AMFI was 420 or 47% of very low-income owners lacked affordable housing. For owners with incomes <80% AMFI there was a surplus of 805 affordable units based on stock alone. However, when taking into account that 59% or 1,404 affordable units were occupied by owners with higher incomes, the housing gap for low-income owners was 654 meaning 41% of low-income owners lacked affordable housing.

Table 2. Affordable Ownership Housing Gap, Northampton, 2000

Household Income	Owner House-holds	Total Units (Occupied + Vacant for Sale)	Surplus Units	Units Occupied by House-holds within Income Limits	% Units Occupied by House-holds above Income Limits	Housing Gap (Owners Lacking Affordable Units)	Housing Gap (% Owners Lacking Affordable Units)
Very Low, <50% AMFI	889	1,351	462	469	63.8%	420	47.2%
Low, <80% AMFI	1,617	2,422	805	963	59.3%	654	40.5%

Source: U.S. Census 2000 CHAS and Center for Housing Research

Northampton County would need subsidies for approximately 400 very low income renters and 400 very low income owners (incomes below 50% of AMFI) in order to overcome its affordable housing deficit for these income groups. Nearly two-thirds of very low-income owners with housing problems are elderly while most of the renters are non-elderly.

Unfortunately the availability of federal housing subsidies that could benefit households with incomes below this level falls far short of the need for assistance. The primary assisted housing production program (the Low Income Housing Tax Credit) is probably insufficient to reach the very-low income level in Northampton. The county should do whatever it can to preserve existing subsidies but will also need to promote other approaches to ameliorating the affordable housing problem for very low-income residents.

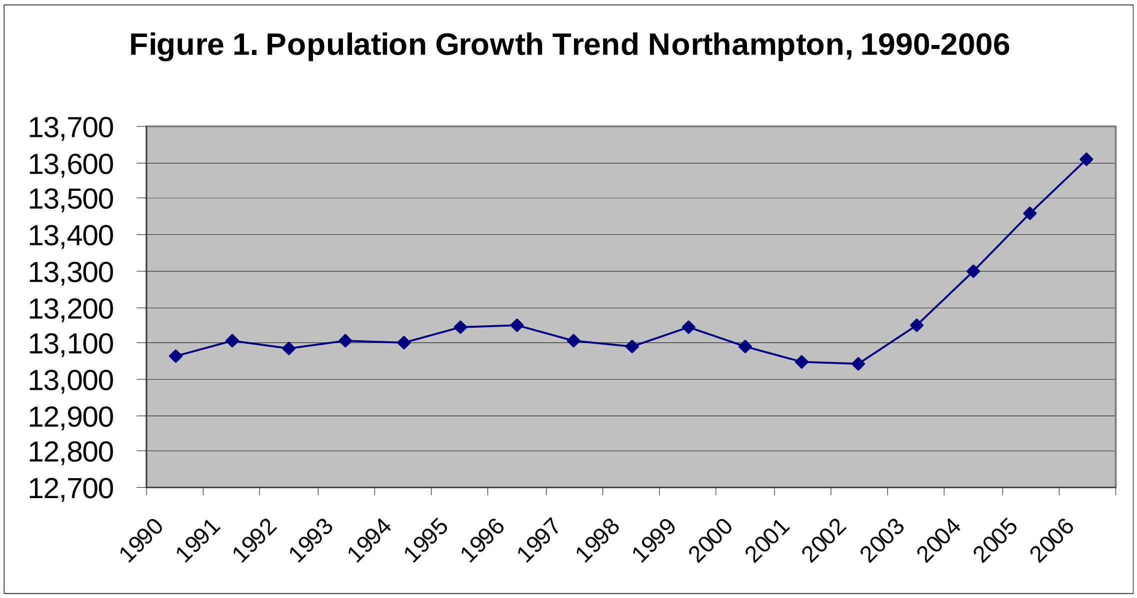
Approaches to addressing the housing problems of the very low-income elderly, particularly home owners, need to recognize that the elderly already have housing and are often reluctant to move. Although some increase in rental assisted housing for seniors might be warranted, few owners are likely to leave their homes. As a result, strategies need to focus on meeting their needs within their own homes. The county should work to promote voluntary and faith-based responses to help very low-income seniors with home maintenance and improvements, as well as with social services.

Recent Growth Trends

Population

The population of Northampton was remarkably stable at approximately 13,100 people between 1990 and 2002 (Figure 1). Starting in 2003 net-migration into Northampton resulted in small, but steady, increases in total population by about 150 people per year.

The most recent population estimate is for 2006 at 13,609 people.[1] (Since deaths outnumber births, natural increase has been slightly negative.) This represents an overall growth rate of approximate 1% per year and although this would be considered slow growth by most standards, it represents a clear departure from the longer term trend.



Source: U.S. Census and Center for Housing Research

The Census Bureau estimates net in-migration into Northampton of 826 people between 2000 and 2006. This includes 250 people from outside the US. Migration data based on IRS records confirms net in-migration into Northampton since 2000. The IRS reports in-migration and out-migration for tax filers and provides the total exemptions claimed. Tax exemptions are a proxy measure of population since most exemptions are for household members. The IRS migration data indicates a net gain of 579 exemptions from 2000 to 2005 due to migration, which is almost identical to the Census Bureau's estimate of 576 net internal migration between 2000-2006. (Since the IRS data covers changes between the 1999 tax returns and the 2005 tax returns, they effectively measure changes in residence between April 15, 2000 and April 15, 2006.) Although neither data source reports employment, the foreign in-migration to Northampton most likely consists of lower paid workers in the agriculture, services and construction industries.

The IRS data file provides the locations people come from when moving to Northampton. Given the proximity to Northampton, it is no surprise that Accomack is the largest single location for people moving to Northampton. However, there is a counter balancing movement of about the same number of people from Northampton to Accomack. As a

[1] Two different estimate series are available, one from the Census Bureau and the other from the Weldon-Cooper Center at the University of Virginia. We have opted to use the Census Bureau's estimates for Northampton as they appear to track better with the more recent data on migration into the area. The Weldon-Cooper series has the population continuing to fluctuate around 13,100 people.

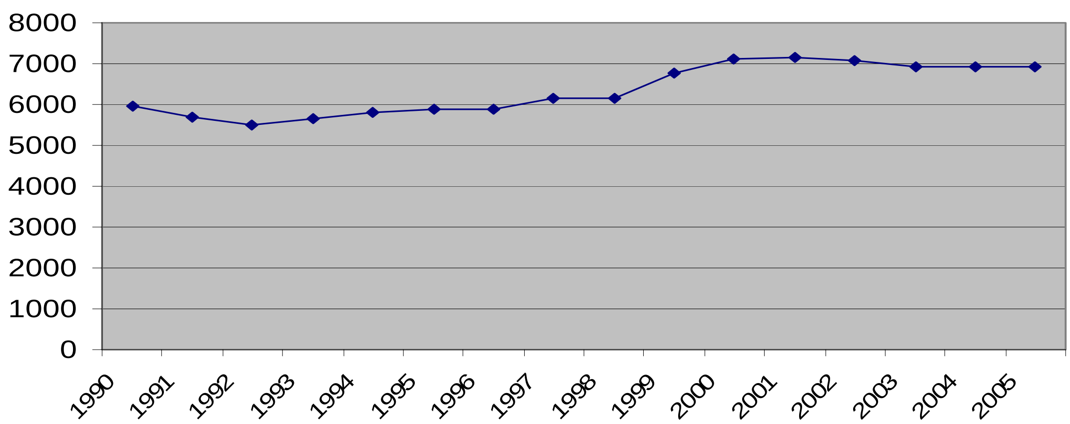
result, Accomack has little effect on Northampton's net growth. The most important net in-migration comes from states other than Virginia. From 2000 to 2005, locations outside Virginia accounted for 84% of Northampton's total net in-migration. Although the IRS data do not identify the individual states, the primary regions are the Northeast and South.

The IRS data also provide some insights into the incomes of migrants. Based on the 2005 data file, the median adjusted gross income for all tax filers moving into Northampton was $20,899, which was below the median AGI for Northampton tax filers who did not move. In-migrants from within Virginia had the lowest median AGI ($18,832), whereas in-migrants from the Northeast had significantly higher median incomes ($34,999).

Employment

Jobs have increased along with population. Figure 2 shows that total employment was declining or flat throughout most of the 1990s and then jumped by approximately 1,000 jobs before reaching a plateau around 7,000. Population growth both responds to and promotes employment growth. Some people move to Northampton because of increased job opportunities; others move to Northampton for retirement or other non-employment reasons (including part-time residents) and help generate jobs.

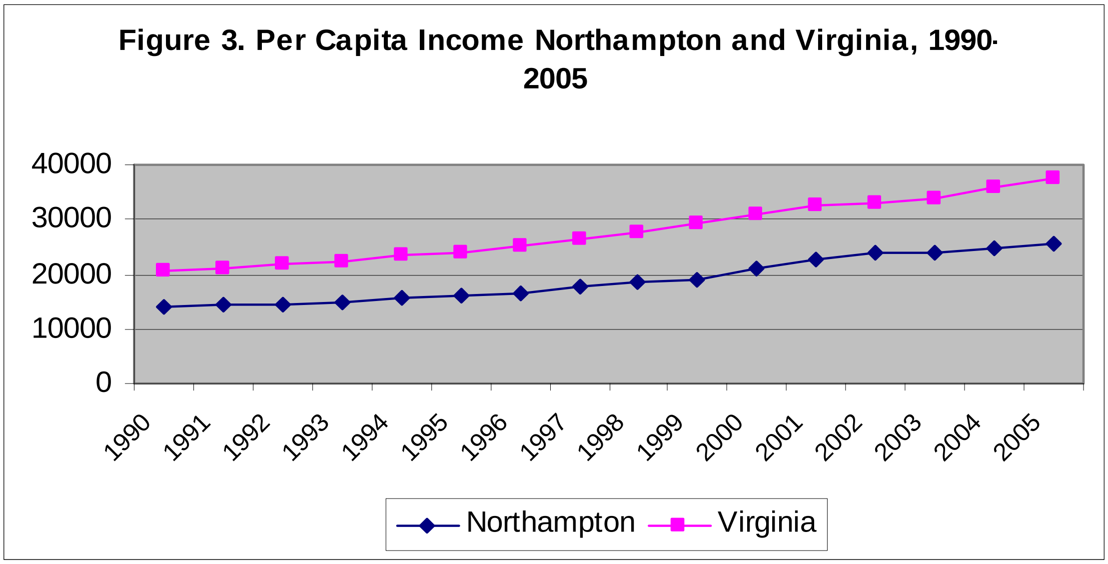
Figure 2. Total Employment Northampton,1990-2005



Source: Bureau of Economic Analysis and Center for Housing Research

Income

Incomes have also been increasing, but at a slightly slower pace than in Virginia as a whole (Figure 3). As can be seen, the gap in per capita income between Northampton and Virginia widened significantly between 1990 and 2005, indicating an even greater need to address affordable housing in the county.

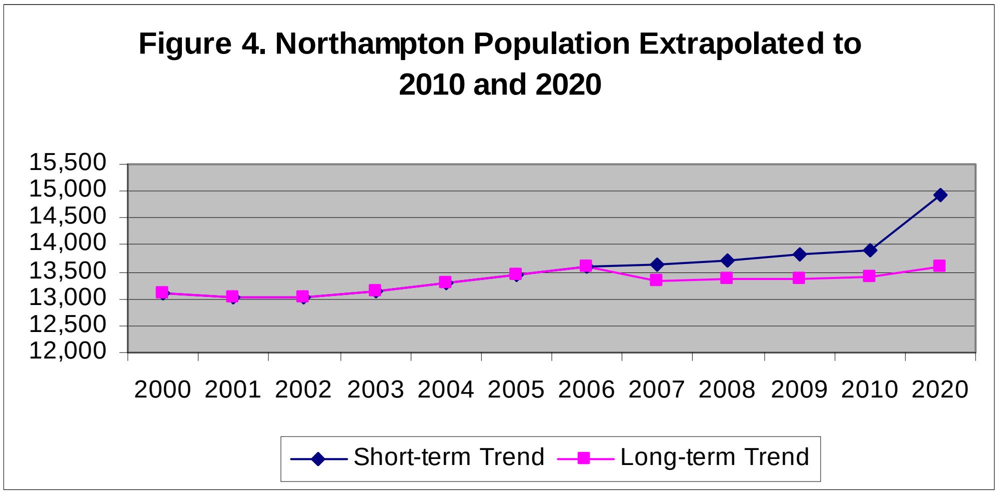


Source: Bureau of Economic Analysis and Center for Housing Research

Projected Demand

We prepared projections of housing demand in Northampton County for 2010 and 2020 using the Center's Housing Demand Projection Model. The model projects households by type, age, income and tenure. It provides a useful tool to project the numerical demand for housing and the demographic characteristics of that demand.

The Housing Demand Model relies on population projections from the Virginia Employment Commission (which produces the state's official projections for localities). The VEC projects Northampton to increase to 13,990 by 2010 and 14,932 by 2020 using a cohort-survival model. These projections can be compared to a simple exponential extrapolation of the population growth trend established in Northampton over 1990 to 2006. As seen in Figure 4, the short-term trend (since 2000) indicates significantly higher growth than the long-term trend (since 1990). Note that the much steeper increase between the last two years covers a ten year period (2010-2020) whereas the slopes between the other data points represent annual change. The VEC projections for Northampton's total population are in line with the higher growth, short-term trend which extrapolates to 13,912 people by 2010 and 14,929 people by 2020.



Source: Virginia Employment Commission and Center for Housing Research

Based on VEC's projections (Table 3) for ten-year age cohorts starting with 15-24 year olds (the earliest ages of household formation), we project housing demand to increase from 5,321 occupied units in 2000 to 5,533 in 2010 and 5,832 in 2020. This equates to about 225 new housing units needed for growth in the resident population in the current decade and about 315 units in the next decade. Based on local building permit records, there were nearly 700 single-family detached units issued building permits from 2000 to 2006. New construction reflects a combination of demand associated with population growth and "move-up" demand among existing residents, but the level of new construction in Northampton also reflects significant demand for vacation homes by people who live elsewhere.

Table 3. VEC Population Projections, Northampton

	Year			
Age	1990	2000	2010	2020
15-24	1,429	1,503	1,883	1,855
25-34	1,829	1,215	1,752	2,018
35-44	1,626	1,881	1,329	1,921
45-54	1,218	1,804	1,859	1,345
55-64	1,553	1,441	1,727	1,755
65-74	1,483	1,502	1,248	1,520
75+	1,106	1,269	1,529	1,477

Source: Virginia Employment Commission

Additionally, our detailed analysis of the VEC projections identified an inconsistent pattern over the projection period in net migration for specific age cohorts. Our cohort analysis of the VEC projections is presented in Table 4. Each ten-year age group progresses to the next ten-year category[2] across a decade (e.g. 25-34 year olds in 1990 become 35-44 year olds in 2000). Taking the ratio of each ten-year age cohort in Table 3 above that "survives" to the following decade (i.e. into the next ten-year age group) provides the survival rates shown in Table 4 below and reveals the net effect of deaths and net migration. Death rates do not change dramatically and have a minor impact on ages under 55, so any shifts in the survival rates shown in the table are largely due to changes in assumptions about net migration.

Table 4. Cohort Survival Rates, Northampton

Age in Ending Period	1990 to 2000	2000 to 2010	2010 to 2020
15-24	0.781	1.074	1.057
25-34	0.850	1.166	1.072
35-44	1.028	1.094	1.096
45-54	1.109	0.988	1.012
55-64	1.183	0.957	0.944
65-74	0.967	0.866	0.880
75+	0.490	0.552	0.532

Source: Center for Housing Research

Between 1990 and 2000, the cohort analysis indicates net out-migration for the two younger cohorts and net in-migration for most of the older cohorts. In 2000 the 25-34 year old cohort had 214 fewer people than the 15-24 year age group in 1990. Since the death rate for this age group is very low, most of the 1,429 15-24 year-olds in Northampton in 1990 would become 25-34 year-olds in 2000 unless they moved elsewhere. Hence the decline in this cohort can be largely attributed to net out-migration. The change between 25-34 year-olds in 1990 and 35-44 year-olds in 2000 identifies an even larger net out-migration for this age group. The VEC projections for 2010 indicate a reversal of the 1990-2000 pattern to net in-migration for the cohorts becoming 25-34 and 35-44 during the current decade.

For the 55-64 and 65-74 year-old categories, the VEC projections imply a reduction in net in-migration and possibly a shift to net out-migration when comparing 2000-2010 and 2010-2020 to the 1990-2000 periods. Death rates should be decreasing over time for these cohorts, so we can assume that the reduction in the survival rates in Table 4 is attributable to assumptions about migration in the VEC projections. (Demographic projections often assume that net migration rates, whether positive or negative, will move toward lower rates over time.)

Since post-2000 population estimates and the IRS migration files document a shift to net in-migration into Northampton, we prepared an alternative projection reflecting in-migration for the older age groups. The alternative projection does not change the VEC

[2] In Table 4 the 75+ age category is divided by the sum of the 65-74 and 75+ category from the previous period.

projections for age groups under the age of 45 years. Alternative survival rates for older age groups are provided in Table 5.

Table 5. Alternative Survival Rates, Northampton

Age in Ending Period	2000 to 2010	2010 to 2020
45-54	1.100	1.100
55-64	1.090	1.050
65-74	0.960	0.950
75+	0.552	0.552

Source: Center for Housing Research

These alternative rates increase the population projections used in the Housing Demand Model by 585 for 2010 and 490 for 2020. These adjustments increase the housing demand projections by 357 units for 2010 and by 308 units for 2020 (based on household increase adjusted for a 5% vacancy rate in units). About one-fourth to one-third of all households is in the very low-income (below 50% of AMFI) category. Since the IRS migration data and per capita income data indicate that incomes are not increasing due to migration, recent and projected growth most likely will increase the need for affordable housing at least proportionately. In effect, Northampton has two primary housing markets; one for higher-income in-migrants and "move-ups" and the other for lower-income in-migrants and non-movers who have to find housing affordable at a modest cost.

It is important to understand the characteristics of housing demand. Age, household type and income influence the type, amount and quality of housing demanded. For convenience, the alternative projections using the adjusted survival rates discussed earlier are presented in Table 6.

Table 6. Projected Housing Demand by Age, Northampton

	Total			Owners		
Age	2000	2010	2020	2000	2010	2020
15 to 24 years	127	159	156	45	56	55
25 to 34 years	558	805	927	209	301	347
35 to 44 years	976	689	997	598	423	611
45 to 54 years	980	1,124	794	705	809	571
55 to 64 years	838	1,144	1,135	624	851	845
65 to 74 years	948	873	1,035	767	706	838
75 and older	894	1,077	1,080	706	851	852
Total	5,321	5,871	6,125	3,654	3,997	4,120

Source: Center for Housing Research

According to Census 2000 data, the 25-34 year population cohort in Northampton was significantly reduced by out-migration over the previous decade. As a result, this cohort remains comparatively small as it ages throughout the projection period. Householders by age are presented in Table 7 for Total and Owners.

Younger householders are predominately in the rental market and the county's rental market will house approximately 600 young (under 35) householders by 2010 and about 680 by 2020. We project the overall rental market to increase from approximately 1,700 units in 2000 to 2,000 units by 2020. Since many of these households are likely to have limited incomes, they should be prime targets for increasing the supply of affordable rental housing using the Low Income Housing Tax Credit (LIHTC) program.

The existing supply of rental housing is inadequate for meeting the growing demand for rental units. Most of the current rental supply consists of single-family units and mobile homes. Rental occupied units in structures of 3 or more units made up only 10% of the rental housing supply in 2000. Single-family rental units and rental mobile homes most likely are older units spread throughout the county. They might have the benefit of low rents, but they probably are lower quality and in less convenient locations than what many householders in the rental market would desire.

Housing demand will dip among 35 to 44 year olds during the current decade due to the size of this cohort in 2000. This impact will be off-set by the increase in the 25 to 34 year old group between 2000 and 2010 and the increases in 45 to 54 year old householders, 55 to 64 year old householders and 75+ year old householders.

Northampton has a sizeable population of senior householders aged 65 and older, and the 75+ group is projected to increase significantly by 2010. Seniors will account for 35% of all households by 2020 and 41% of home owners.

Table 7. Projected Housing Demand by Household Type, Northampton

	Total			Owners		
Household Type	2000	2010	2020	2000	2010	2020
Married-couples	2,412	2,645	2,743	1,948	2,127	2,190
Non-Spouse Families	1,134	1,246	1,327	621	660	676
Individuals	1,775	1,980	2,054	1,098	1,210	1,254
Total	5,321	5,871	6,125	3,654	3,997	4,120

Source: Center for Housing Research

We estimate that approximately 600 home owners were first-time buyers during the 1990s and that this will increase to 645 during the current decade. Virtually all of the younger (under age 35) owner householders in 2000 entered the market during the decade. Relatively slow growth in the first-time homebuyer market between 2000 and

2010 reflects, in part, the impact of the small cohort of 25-34 year olds in 2000. Although married-couple households are the largest component of first-time homebuyer demand (42%), the majority of first-time buyers are non-spousal families (28%) and individuals or non-family households (30%).

Housing Strategies

Recent growth in Northampton presents new challenges that the county did not face earlier. The county has the benefit of in-migration, but these newcomers are in two very different housing markets. The private housing market responds to the demand for new housing for middle and upper income retirees and second-home owners locating on or near the water. It also responds to the local "move-up" market with lots in subdivisions where new homes can be built. The housing market appears fully capable of responding to this demand.

Other segments of housing demand face greater challenges. The supply of multi-family rental housing (townhouses and apartments) is very limited. We estimate that approximately 600 young (under 35) renters will enter the renter market during the current decade. Some of these renters (particularly non-spousal families) will have very low incomes and will need significant subsidy to be able to afford housing. The 400-unit gap in affordable housing for very low-income renters estimated for the year 2000 will remain a persistent problem. The county should inventory this supply (e.g. FmHA 515 properties) and focus on its preservation and, where possible, improvement. The Rural Housing Service (with USDA) is gaining experience in using the LIHTC program to preserve and improve assisted housing in rural areas. Unfortunately, with the decline in federal housing subsidies, Northampton will do well to maintain its current level of affordable housing for very low income renters over the coming years.

Most of the 600 younger renters entering the housing market will have modest incomes reflective of entry positions and the jobs created through the county's economic growth. These renters have few options within the county unless new units are constructed. New rental housing will have to be in locations with water and sewer service adequate to support moderate density development. Expansion of the rental housing sector should occur through the private market if developable sites and zoning for moderate density are available. The county should consult with developers to help identify the locations where expansion is feasible. New construction, however, will bear rents needed to cover development costs, typically upwards of $800 to $1,000 per unit.

While expanding the supply of market rate rentals will help provide rental options to those with adequate incomes (approximately $30,000 and over), it will not produce housing affordable to renters in the 50-80% AMFI category (incomes ranging roughly from $15,000 to $30,000). We project that the younger householder portion of this income category (including families and individuals) will reach 500 units by 2010.

In order to assure that new rental housing is produced for this market segment, the county should promote the development of rental units under the Low Income Housing Tax

Credit. The county can enhance the affordability of these units by helping to identify and acquire developable land with water and sewer service and adequate zoning. The county should explore opportunities to partner with other local governments and with developers of LIHTC units, along with the Virginia Housing Development Authority (VHDA) and the Virginia Community Development Corporation, in promoting the development of affordable rental housing.

The county should develop strategies that address the housing needs of elderly, very low-income homeowners. This is one of the largest affordable housing problems facing the county and it is likely to increase due to the expansion of the 75+ population, the maintenance needs of older houses, and increases in energy costs. Fortunately, civic groups, faith-based organizations and other voluntary service groups often are very willing to help provide services to low-income, elderly home owners. The county can help organize these groups to provide services; can provide materials, supervision and other support; and can work with contractors to provide reliable building diagnostics and cost estimates when the needed work exceeds the abilities of volunteers.

The county should also explore strategies to assist first-time home buyers. Of the 645 first-time buyers projected for the current decade, we estimate that 460 will have incomes below $50,000 (in year 2000 dollars). These buyers will need entry level homes that are affordable, both to purchase and to maintain. The county's supply of modest housing could be very beneficial to fulfilling the demand for affordable, first-time ownership. A key challenge will be in providing guidance to purchasers and to contractors on building diagnostics and designs for cost efficient improvements and renovations. The county should work with contractors and building materials suppliers to develop strategies that promote energy efficiency and long-term durability of the county's older, affordable housing units.