
Setting a Housing Policy Agenda

Summary of Key Issues Within a Framework of Five Broad Policy Areas:

1. Residential Land Use & Development
 2. Housing Affordability
 3. Mortgage Financing
 4. Housing & Environmental Standards
 5. Coordination of Housing & Community Services
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1. Residential Land Use & Development

Issue	While the current housing recession has resulted in increased homeowner and rental vacancies, the current housing “surplus” reflects a significant imbalance in the size, type, cost, and geographic distribution of housing needed to meet the needs of Virginia’s population and sustain Virginia’s long-term economic growth.
Desired Outcome	A supply of quality housing adequate to meet the needs of citizens of all economic means in locations providing neighborhood choice and access to economic and social opportunities
Policy Arenas	<ul style="list-style-type: none">• Local comprehensive planning and land use regulation• Regional planning• State transportation and economic development planning• State and local strategies for urban and rural revitalization• State agency allocation of housing resources

Specific Problems

Metropolitan Growth Issues

- Growth management and zoning practices are restricting the supply of new housing within metropolitan areas and significantly adding to housing costs.
- Shortfalls in production of workforce housing in proximity to employment centers are lengthening commutes, exacerbating traffic congestion, and adding to inefficient sprawl.
- Land use regulations, while slowly changing to accommodate higher density mixed-use developments, continue to foster low density development patterns in metropolitan areas.
- Residential land use and development patterns continue to create accessibility barriers for people with disabilities.
- Minorities and people with disabilities continue to lack full and equal access to affordable and accessible housing opportunities in desirable neighborhoods proximate to growing employment centers and services.

1. Residential Land Use & Development (continued)

Specific Problems (continued)

Urban and Rural Revitalization Issues

- Low-income households and people with disabilities lack sufficient access to affordable housing outside neighborhoods where poverty is concentrated.
- Concentration of poverty is contributing to:
 - disinvestment in older urban neighborhoods and non-growing rural areas;
 - isolation of poor households from economic and social opportunity; and
 - anti-social/criminal behavior.
- Weak demand in non-growing and slow-growing areas contributes to disinvestment in older housing. An aging and deteriorating housing stock limits quality housing choices, undermines economic competitiveness, and contributes to a cycle of decline.
- Cities, aging suburbs, and rural localities lack adequate financial resources to address blight arising from concentrations of older, poorly-built and/or obsolete housing.

Unresolved Policy Questions

How can/will Virginia:

- Ensure the production of adequate affordable housing for all citizens?
- Coordinate state investments in transportation and economic development with provision of needed housing?
- Foster regional cooperation and develop the capacity for more effective planning that addresses housing needs that transcend local boundaries?
- Address the growing shortage of developable residential land?
- Fairly balance private property rights with broader community needs?
- Revitalize and diversify older urban neighborhoods and rural communities?
- Fairly allocate the costs associated with economic growth?
- Ensure fair access to affordable, accessible housing opportunities for all citizens?

1. Residential Land Use & Development (continued)

Barriers to Resolution

- Reluctance of the public in growing metropolitan areas to accept to the choice between:
 1. increased residential densities to offset shortages of developable residential land; or
 2. increased subsidies to maintain the affordability of housing within the current land use, zoning and regulatory structure
- Lack of consensus on how to fairly allocate the costs associated with metropolitan growth including housing, transportation, and other public infrastructure and services
- Market forces which promote gentrification of attractive, well-located neighborhoods in large metropolitan areas, thereby isolating affordable housing opportunities to older urban neighborhoods and new development on the metropolitan fringe
- Inadequate fiscal capacity of localities—especially central cities—that contributes to the view that housing is a “cost” rather than a community asset
- Extension of commuting distances well beyond individual localities, so that the linkage between local job growth and local housing needs is no longer clearly understood

2. Housing Affordability

Issue The growing gap between housing costs and the incomes of lower income households is increasing the need for federal rental subsidies and other types of housing assistance. At the same time, existing communities frequently resist new assisted housing developments, creating the need for a new consensus on successful means for integrating housing serving low-income households into the broader community.

2. Housing Affordability (continued)

Desired Outcome	Sufficient assistance and improved assistance program models to enable low- and moderate-income households to attain adequate, decent, affordable housing in quality living environments and with reasonable access to employment and social opportunities.
Policy Arenas	<ul style="list-style-type: none">• Public agency allocation/use of public funds• Enactment of public incentives or regulatory requirements for privately generated direct/indirect housing assistance

Specific Problems

- Since 2000, rental housing costs have escalated at a far higher rate than income growth among low- and moderate-income households.
- For low- and moderate-income homebuyers, recent declines in home prices have been offset by significant tightening of mortgage underwriting standards including a substantial increase in down payment requirements.
- Federal appropriations for rental housing subsidies and other housing assistance—especially those relied on by vulnerable low-income populations (e.g., disabled, elderly, homeless)—have remained flat, while need has grown. Virginia’s ability to carry out Olmstead initiatives, address senior assisted living needs, and end chronic homelessness, all require additional federal assistance.
- Concern about concentrated poverty has increased public antipathy toward large, affordable rental developments—however, mixed-income housing is not being developed on a large enough scale either to meet the needs of a growing population or fully offset the loss of existing affordable units through demolition or opt-out of subsidy programs.
- Extremely low-income households—including many people with severe disabilities and other vulnerable populations—lack the resources to obtain adequate housing without federal rental assistance.
- The Olmstead decision requires states to take steps to provide viable community alternatives to institutionalization; however, the lack of affordable, accessible housing remains a major barrier to fulfillment of that obligation.

2. Housing Affordability (continued)

Unresolved Policy Questions

- In light of state fiscal constraints, what role(s) should Virginia play in advocacy for adequate federal housing assistance and workable federal programs? If Congress funds a National Housing Trust Fund, then how can Virginia best apply those new subsidy resources to address the affordability challenges facing low-income and extremely low-income households?
- Should Virginia authorize a greater role for local governments to use local revenues for housing assistance?
- How should the goal of de-concentrating poverty be implemented in state policy? What is the appropriate balance between the use of available subsidies to assist in the revitalization of poor neighborhoods and the use of subsidies to support the creation of affordable housing opportunities in low-poverty communities?
- How should responsibility be allocated for ensuring adequate availability of affordable housing?

Barriers to Resolution

- Federal, state and local fiscal limits and significant competition from other public spending priorities (e.g., transportation, education, and health care)
- Inability of states to assume responsibility from the federal government for providing funds for deep housing subsidies—Lack of fiscal capacity to support new major long-term spending commitments
- Perception that existing resources are adequate to address assistance needs

3. Mortgage Financing

Issue Rising foreclosures remain a serious problem throughout Virginia due to elevated unemployment and declining home values. A recovery in home sales and prices is needed in order to stabilize homeownership among at-risk homeowners, and support the rebuilding of household net worth and local government revenues.

3. Mortgage Financing (continued)

Desired Outcome Stable local housing markets with sustainable homeownership based on financially literate homebuyers who are able to make informed borrowing choices and have access to credit under prudent terms and conditions.

Policy Arenas

- Federal and state regulation of mortgage lending
- Federal, state and local administration of housing programs
- Homebuyer education and housing counseling, consumer credit counseling and K-12 financial literacy programs

Specific Problems

- The substantial “shadow” inventory of foreclosed and distressed mortgages is undermining home prices and retarding market recovery.
- Continued declines in home prices are putting increasing numbers of homeowners “under water” on their mortgage and unable to refinance or sell. This in turn is undermining home sales and the ability of at-risk homeowners to obtain mortgage modification assistance.
- Lenders’ need to contain loan losses is resulting in tightened underwriting standards that are offsetting the positive impact of low interest rates and lower home values for homebuyers.
- A significant share of low-income and younger households lack adequate financial literacy to make sound borrowing decisions.
- Virginia continues to rank high among states for mortgage fraud.
- Mortgage scams remain a problem, and high-cost lending products continue to disproportionately target low-income and minority households.

Unresolved Policy Questions

- What further actions can/should Virginia take to mitigate the impact of home foreclosures?
- What further steps should Virginia take to assist the recovery of local housing markets?

3. Mortgage Financing (continued)

Unresolved Policy Questions (continued)

- How can/will Virginia balance the desire for broad access to housing credit with maintenance of prudent lending standards and appropriate levels of consumer protection against unwise borrowing?
- What is the appropriate level of reliance on public education versus regulation of lending practices?
- What role can/will Virginia take in the regulatory arena—i.e., deference to action by federal regulators to establish uniform nationwide standards, or a more active direct state role in setting regulatory boundaries?
- What is the appropriate scope of SAFE Act regulatory oversight? Should nonprofit housing counselors and staff of nonprofit housing development organizations and governmental entities be exempt from licensure requirements?

Barriers to Resolution

- Competition between states and the federal government for regulatory authority over mortgage lending.
- Limited means for state leverage/control of Stimulus initiatives.

4. Housing & Environmental Standards

Issue	The marketplace has been constrained in fully responding to a number of public concerns about residential accessibility, energy conservation, safety, and environmental hazards.
Desired Outcomes	<ul style="list-style-type: none">• Increased marketplace acceptance of Universal Design concepts and energy conservation and green building practices• Cost-effective solutions to safety issues and the remediation of environmental hazards

4. Housing & Environmental Standards (continued)

- Policy Arenas**
- State and local allocation of housing program resources
 - State enforcement of federal environmental requirements
 - Statewide uniform building and safety regulations
 - State mediation/resolution of defective consumer/building product liability issues

Specific Problems

- Integration of people with disabilities into local communities, and the desire of a growing senior population to remain independent, require increased housing accessibility—The private market is responding, but not as quickly as needed in order to fully address the needs of low- and moderate-income households. There remains inadequate knowledge and understanding of legal accessibility requirements in rental housing developments.
- Environmental, energy, and health concerns have heightened public desire for: increased residential energy efficiency; expanded use of green building practices; cost-effective solutions to the remediation of environmental hazards and safety issues in existing housing (e.g., defective drywall, asbestos, lead-based paint); and environmental remediation of brownfield sites to enable their residential reuse.
- Some local communities with substantial older and poorer quality housing stock, lack sufficient resources to adequately enforce existing building regulatory requirements.

Unresolved Policy Questions

- How can/will Virginia accelerate marketplace adoption of preferred residential design/building practices—i.e., will Virginia rely on education and financial incentives; or will Virginia require adoption of certain housing standards and practices (e.g., Universal Design, sprinklers, energy efficiency, green building, Internet wiring, etc.) through state codes or other state and local regulations?
- Is a consistent state approach preferred, or should policies for each issue be considered separately on a case-by-case basis?
- What is the extent of Virginia's responsibility for resolving issues/problems related to defective building products (e.g., drywall, siding)?

4. Housing & Environmental Standards (continued)

Barriers to Resolution

- Public preference for traditional residential designs that constrains the marketplace acceptance of Universal Design standards—especially in regard to zero-step entryways
- Real and perceived costs of alternative design standards
- The very low income of many persons needing alternative residential design
- Resistance of developers to required use of design standards not perceived to have broad market acceptance
- Substantial costs associated with the remediation of many environmental and safety hazards

5. Coordination of Housing & Community Services

Issue Very low-income populations (disabled, elderly, homeless, ex-offenders, etc.) require a coordinated array of local services in order to live independently (including housing, human services, transportation and employment) that are inadequate in most Virginia communities.

Desired Outcome Enhanced coordination of housing assistance and referral with other community services required by very low-income populations in order to sustain independent living and avoid unwanted and costly institutionalization

Policy Arenas

- State Olmstead initiatives to provide non-institutional, community living alternatives for people with disabilities
- States regulation of and funding for assisted living alternatives
- State initiatives to end chronic homelessness
- State initiatives to address prisoner re-entry issues

5. Coordination of Housing & Community Services

(continued)

Specific Problems

- Significant numbers of people with disabilities are living in institutions or with family caregivers due to their inability to obtain affordable housing and support services in their local communities.
- Growing numbers of seniors have difficulty living independently in their homes, but lack adequate access to either affordable home-based assistance or affordable, quality residential assisted living alternatives.
- Many homeless people are unable to access the affordable permanent housing and stable support services they need in order to regain self-sufficiency —this includes ex-offenders re-entering local communities, and is a major factor in their high rate of recidivism.

Unresolved Policy Questions

- How can/will Virginia enhance coordination of housing assistance with other community services to very low-income populations that rely on public services in order to retain their independence?
- What types of assistance can/should Virginia provide to support effective local service consortiums (e.g., training/capacity building, administrative funding, direct service subsidies, incentives)?
- Are existing state interagency administrative structures sufficient (e.g., the Olmstead Commission, Homeless Policy Academy)?
- How can a “Housing 1st” model be effectively implemented throughout Virginia for a variety of populations (e.g., people with severe physical disabilities, mentally ill, substance abusers, homeless, ex-offenders, etc.)?

Barriers to Resolution

- Federal, state and local program funding and regulatory silos that impose barriers on the effective coordination of resources across agencies and programs
- Inadequate inter-agency coordinating structures to achieve shared priorities and alignment of programs and services

5. Coordination of Housing & Community Services (continued)

Barriers to Resolution (continued)

- Long waiting lists for housing assistance and many types of residential support services—difficulty coordinating multiple separate waiting lists for housing and other community services
- Inadequate rental subsidies to fully support “Housing 1st” initiatives
- Strong NIMBYism toward almost any permanent housing solution for very low-income populations, especially for homeless persons, people with mental disabilities, recovering substance abusers and ex-offenders