

## Virginia Housing Coalition 2010 Legislative Agenda

### Affordable Housing Finance

#### **1. A State Housing Trust Fund for Virginia.**

A state Housing Trust Fund would provide a reliable source of grants and low interest loan funds that could be used in a variety of ways to increase the supply of affordable housing throughout Virginia. The Trust Fund legislation encourages flexibility and creativity so that its use can adjust to meet the changing housing needs in the state over time. The design also provides that 25% of the State Trust Fund would be used to match communities that establish local funds. The guidelines for the Fund would be established by the Department of Housing and Community Development and would be administered through VHDA – a design successfully used by the Housing Partnership Fund in the 1990's.

The Coalition has pursued state Trust Fund legislation for the past five years with some success. Trust Fund bills have passed both the House and the Senate in different years. The key is finding a substantial, dedicated source of revenue that the House, Senate and administration can agree on. This year, we are exploring several new options including tax revenues from the sale of building materials. For the past several years, the Coalition has taken the position that the Trust Fund should be created from an allocation of existing revenue sources – that is, we are not proposing any increase in taxes or fees to support the Fund.

The state's fiscal crisis makes it likely that 2010 will be an uphill fight but we are encouraged that an increasing number of Senators and Delegates agree that a Trust Fund is needed – keeping the issue visible during this session and advancing the discussion of agreeable revenue sources will be primary goals for 2010, but changing circumstances may create opportunities that we want to be positioned to take advantage of.

We expect bills to be introduced in both houses but do not yet have bill numbers and sponsors finalized. As soon as this information is available it will be communicated by email and on the Coalition's website.

#### **2. Enabling Legislation for Local Housing Trust Funds**

While there are 39 other states in the US that have state housing trusts funds, there are hundreds of funds that have been created at the city, county or regional level. These funds make up the vast majority of all housing trust funds in the US.

Local trust funds come in all shapes and sizes – some are funded from a local, dedicated tax or fee while others are periodically funded by local appropriations or developer contributions under density bonus programs.

In Virginia, there are a handful of funds that are already operating – Arlington, Fairfax and Charlottesville each have different mechanisms for replenishing their funds. Other communities in Virginia are looking into the potential of creating local funds. The creation of trust funds at the local level will help to generate additional support for a state Housing Trust Fund as well.

One impediment to this is that Virginia does not have any uniform enabling legislation that clearly grants localities the power to create such funds and which enumerates how these may be funded and what activities they may engage in. This has contributed to uncertainty in some jurisdictions,

This legislation will clearly establish that any Virginia locality may create and administer a local housing trust fund. It will provide for broad authority to fund these from a range of sources – public and private. It will allow such funds to engage in loan and grant making for a wide range of housing programs and will allow localities to establish income eligibility and targeting based upon local conditions.

This bill will be introduced in the House by Delegate James Ingram will introduce the bill in the House. The bill is being drafted by legislative services. We may have a companion bill in the Senate as well. Bill numbers and text will be distributed as soon as available.

### **3. Guidelines for the Assessment of Affordable Housing**

Many local tax assessors in Virginia are still establishing values for the purpose of determining real estate property taxes that do not fully reflect the restrictions that are placed on these properties through a variety of programs. In the past several sessions, there has been legislation that has directed assessors to take such factors into account, however, many are still using procedures which yield values that are significantly above the true economic value. This results in higher taxes which are, in turn, translated into higher rents.

During 2009, the Coalition sought direction from the Virginia Department of Taxation regarding the ability of the State to issue guidelines to local assessors. The response indicated that it is the legislature's responsibility to further refine the law and create clearer guidance. The Coalition will be supporting legislation that will identify specific requirements for assessors, including, for example, the application of a higher cap rate than used for market rate properties.

#### **4. Expansion of Eligibility for Indoor Plumbing Program / Restoration of Budget Cuts**

Many rural housing providers have been utilizing the state's Indoor Plumbing Program for nearly two decades. During that time, tremendous progress has been made in eliminating houses that do not have adequate plumbing facilities. In many rural communities, the greatest housing quality issues are with severely deteriorated homes – many of which do not qualify for the IPR program because they do not have adequate plumbing.

The Coalition will be seeking a language change in the budget bill that will direct DHCD to permit greater flexibility in the eligibility for this program. VHC and its rural members would prefer that some funds be available to address the worst housing conditions in their communities – regardless of the status of the plumbing in the house.

Recently released budget reductions from DHCD reveal that state Indoor Plumbing funding will be cut substantially. The VHC will also be fighting to see that these cuts are restored.

#### **Land Use and Affordable Housing**

#### **5. Require jurisdictions to include affordable housing within their Urban Development Area (UDA) planning.**

Urban Development Areas are the designated growth areas that certain fast growing localities must designate and plan for as a result of the comprehensive transportation bill (HB30) passed during the 2008 legislative session. In the 2009 session, the Coalition's goal was to require such areas to have affordable, workforce housing integrated into the required planning activities. Since these areas will also be one of the centers for job growth, it is critical that incentives for workforce housing be included so that all workers will be able to live near their place of employment.

The bill was amended in committee to replace "shall" with "may" which effectively restricted the impact of this important change. The Coalition position is that affordable housing planning should be integrated in most local and regional planning efforts and UDAs will provide the opportunity to show the effectiveness of this approach. This year, the Coalition will once again seek to mandate such planning in UDAs.

We expect bills to be introduced in both houses but do not yet have bill numbers and sponsors finalized. As soon as this information is available it will be communicated by email and on the Coalition's website.

## **6. A Housing Policy for the State**

During the past several years, the Housing Commission has discussed the idea of creating a housing policy for the state that would be a guide for expanding affordable housing opportunities and could support efforts to generate additional resources as well as tackle land use and regulatory obstacles. A state housing policy would answer questions such as:

- *What principles should guide Virginia's housing decisions?*
- *Is there a relationship between housing and transportation?*
- *How does housing relate to job growth and workforce development?*
- *What can the state do to promote healthy, open communities that provide a range of housing opportunities?*

The Coalition will be promoting legislation that will require the development of a state housing policy with substantial updates every four years. There are three options under consideration for where to place this responsibility: the Governor's Office (the Governor already produces an Economic Development policy at the start of each term), the Housing Commission (staff and funding limitations may be a problem), or the Board of the Department of Housing and Community Development (the Board already has some planning responsibilities in the Code and has professional staff available to do the work). We will continue to explore these options – the outcome of the Gubernatorial election may also have a bearing on the approach.

## **Foreclosure Issue**

### **7. Foreclosure Notification**

The Commonwealth, while in substantially better shape than many states, is experiencing large numbers of foreclosures in select areas of the state. This trend is expected to continue through 2010. The Federal Government has recently enacted a number of measures to reduce the number of foreclosures and reduce the impact of the foreclosures on neighborhoods and communities. The adverse impacts of the foreclosures are being felt throughout the real estate markets and are a major contributor to neighborhood decline in some communities. Legislation adopted last year provides for the notification of pending foreclosure action to localities in northern Virginia area but does not apply to other areas of the Commonwealth.

Since many communities throughout the state and proactively attempting to respond to the impact of foreclosures and knowledge of pending foreclosures can be an important tool for local governments in framing their plans, The Coalition will pursue legislation to expand the notification system so that it is applicable statewide.