

Recommendations and Options: Affordable Housing in Virginia

JLARC staff typically make recommendations to address findings during reviews. Staff also sometimes propose policy options rather than recommendations. The three most common reasons staff propose policy options rather than recommendations are: (1) the action proposed is a policy judgment best made by the General Assembly or other elected officials, (2) the evidence indicates that addressing a report finding is not necessarily required, but doing so could be beneficial, or (3) there are multiple ways in which a report finding could be addressed and there is insufficient evidence of a single best way to address the finding.

Recommendations

RECOMMENDATION 1

The General Assembly may wish to consider amending §36-139 of the Code of Virginia to direct the Virginia Department of Housing and Community Development to conduct a comprehensive statewide housing needs assessment at least every five years using either its own staff or a third-party expert. The statewide housing needs assessment should contain a review of housing cost burden and instability, supply and demand for affordable rental housing, and supply and demand for affordable for-sale housing. The needs assessment should contain regional or local profiles that focus on the specific housing needs of particular regions or localities. (Chapter 3)

RECOMMENDATION 2

The General Assembly may wish to consider amending §36-139 of the Code of Virginia to direct the Virginia Department of Housing and Community Development to i) develop a statewide housing plan with measurable goals to address the state's housing needs, ii) provide annual updates to the General Assembly on progress toward meeting the goals identified in the plan, and iii) update the plan at least every five years based on changes in the state's affordable housing needs. (Chapter 3)

RECOMMENDATION 3

The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Housing and Community Development (DHCD) to identify and report on the resources it may need to develop a statewide housing needs assessment, housing plan, and annual progress updates. DHCD should include a description of any new or amended third-party contracts, additional funding, and new positions that would be needed to undertake these new tasks. The report should be submitted to the chairs of the House Appropriations and Senate Finance and Appropriations committees no later than November 1, 2022. (Chapter 3)

RECOMMENDATION 4

The Board of Commissioners of Virginia Housing should adopt a set of outcome and output measures for Virginia Housing's Resources Enabling Affordable Community Housing program that will allow it to evaluate, at a minimum: i) the number of rental units affordable to households with incomes at or below 30 percent of median income created that would not have otherwise been created per grant or loan; ii) the number of rental units affordable to households with incomes at or below 50 percent of median income created that would not have otherwise been created per grant or loan; iii) the number of households with incomes below 80 percent of median income receiving down payment assistance grants enabling them to purchase their first home per grant or loan; iv) the number of individuals with disabilities receiving funds to make accessibility improvements to their home per grant or loan; and v) the number of permanent supportive housing units for vulnerable populations built or rehabilitated that would not have otherwise been created per grant or loan. Virginia Housing staff should report information on those measures to the Board of Commissioners annually. (Chapter 3)

RECOMMENDATION 5

The General Assembly may wish to consider amending §36-55.51 of the Code of Virginia to require the Virginia Housing Development Authority to submit an annual report to the chairs of the Senate Finance and Appropriations Committee, House Appropriations Committee, and Virginia Housing Commission describing: i) Virginia Housing's annual contributions to the Resources Enabling Affordable Community Housing (REACH) program and the annual fund balance (or any future program that reinvests Virginia Housing's net earnings into affordable housing initiatives); ii) amount of REACH funds spent in the fiscal year by broad purpose; and iii) the outputs and outcomes associated with those and prior REACH expenditures, as measured through its REACH performance measures. This report should be submitted at the end of each fiscal year. (Chapter 3)

RECOMMENDATION 6

Virginia Housing should adjust its methodology for calculating financial commitments to the Resources Enabling Affordable Community Housing (REACH) program to base REACH commitments on Virginia Housing's average net income without regard to grant amounts paid from prior year allocations to REACH. (Chapter 3)

RECOMMENDATION 7

Virginia Housing should increase the Resources Enabling Affordable Community Housing (REACH) contribution level to 75 percent of its net income without regard to grant amounts paid from prior year allocations to REACH in FY25. (Chapter 3)

RECOMMENDATION 8

Virginia Housing should produce projections of its net assets, net asset parity ratio, and risk-adjusted net asset parity ratio. Projections should be based on Virginia Housing's historic revenues, historic and planned loan production, program and financial decisions, credit rating agency risk adjustments, and Resources Enabling Affordable Community Housing allocation formula. These projections should be presented to the Board of Commissioners at least annually and include a forecast for at least three future years. (Chapter 3)

RECOMMENDATION 9

The General Assembly may wish to consider modifying §36-55.30:2 of the Code of Virginia to specify that, in economically mixed projects financed by the Virginia Housing Development Authority, at least 20 percent of units shall be reserved for low-income households and reserved units must be affordable to households earning 80 percent and below area median income. (Chapter 4)

RECOMMENDATION 10

Virginia Housing should increase its limit on the amount of Rental Housing Resources Enabling Affordable Community Housing subsidy it will provide to workforce developments to ensure that workforce developments remain financially feasible with affordable rent restrictions. (Chapter 4)

RECOMMENDATION 11

Virginia Housing should establish a program to use Virginia Housing's Resources Enabling Affordable Community Housing (REACH) funds to offer gap funding to projects using tax-exempt private activity bonds and 4 percent low income housing tax credits, and report to the Board of Commissioners on how much REACH funds are being allocated to gap funding and how many units it expects to create that would not be otherwise financially feasible. (Chapter 4)

RECOMMENDATION 12

The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Housing and Community Development to study options for providing additional support to community land trusts to establish additional affordable housing and develop a plan that does so. The plan should be submitted to the chairs of House Committee on General Laws, Senate Committee on General Laws and Technology, and Virginia Housing Commission. (Chapter 5)

RECOMMENDATION 13

Virginia Housing should determine through a financial analysis whether upwardly adjusting interest rates for borrowers with Plus mortgages is necessary, and if so, what the minimum basis point adjustment should be, and report its findings to the Board of Commissioners. This review and report should be conducted every two years as long as the authority continues to upwardly adjust the interest rates of borrowers receiving Plus mortgages. (Chapter 5)

RECOMMENDATION 14

Virginia Housing should provide annual reports to the Board of Commissioners comparing the interest rates it offers on single-family loans to interest rates offered on the commercial market, and present options for offering lower rates where the Virginia Housing interest rate is higher than the comparable commercial market rate. (Chapter 5)

RECOMMENDATION 15

The General Assembly may wish to consider including language in an Uncodified Act of the General Assembly (Section I Bill) directing the Virginia Housing Development Authority to conduct a financial analysis to determine whether it could offer lower interest rates than the commercial market to its single-family home loan borrowers, and report the results of the analysis to the Virginia Housing Commission, the Virginia Housing Board of Commissioners, and the Joint Legislative Audit and Review Commission by November 1, 2022. The analysis should, at a minimum, include an analysis of how much interest rates could be lowered, the monthly and annual cost savings lower interest rates could provide to Virginia Housing's borrowers, and a projection of how lower interest rates would affect the authority's future net income, net assets, and net asset parity ratio. (Chapter 5)

RECOMMENDATION 16

Virginia Housing should modify its existing down payment and closing cost assistance programs to provide at least as much as assistance as the current Plus mortgage program at a lower cost for borrowers with incomes at 80 percent of Virginia Housing's income limits or lower. Virginia Housing should study the advantages and disadvantages to borrowers and to Virginia Housing of providing larger grants or 0 percent interest deferred payment mortgages to replace the Plus mortgage for these borrowers, and issue a report to the Board of Commissioners that recommends the preferred approach, an implementation strategy, and a timeline for modifying the existing program. (Chapter 5)

RECOMMENDATION 17

The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Housing and Community Development to contract for a study on how to collect zoning information and data from Virginia localities with population growth rates, median home sales prices, and median gross rents in the top quartile of the state. The study should include a description of the type of zoning and data information that could be collected, how such information would be used, and the resources that would be necessary to collect this data. DHCD should submit this study to the House Committee on Counties, Cities, and Towns; the Senate Local Government Committee; and the Virginia Housing Commission no later than November 1, 2022. (Chapter 6)

RECOMMENDATION 18

The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Housing and Community Development to evaluate different approaches to structuring, administering, and funding an incentive program to provide additional state funding for infrastructure improvements to localities that adopt zoning policies designed to facilitate the development of affordable housing. The report should include recommendations for implementing an incentive program and should be submitted to the House Committee on Counties, Cities, and Towns; the Senate Local Government Committee; and the Virginia Housing Commission no later than November 1, 2024. (Chapter 6)

Policy Options to Consider

POLICY OPTION 1

The General Assembly could amend the Code of Virginia to prevent localities from 1) restricting 3-D printed or modular constructed homes from being built on residential land or 2) restricting the construction of 3-D printed or modular constructed homes in certain residential zones. (Chapter 5)

POLICY OPTION 2

The General Assembly could amend §15.2-2304 of the Code of Virginia to expand the localities that have the authority to adopt mandatory affordable dwelling unit ordinances to include all localities that have population growth rates, median home sales prices, and median gross rents in the top quartile of the state, and require that the Department of Housing and Community Development update the list of qualifying localities after each decennial census. The amended statute could also provide that any locality that receives this authority would not have it revoked if the locality is no longer in the top quartile of the state for these characteristics. (Chapter 6)
