

# COMMONWEALTH OF VIRGINIA

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## VIRGINIA HOUSING COMMISSION

### Commission Meeting Summary December 6, 2007 General Assembly Building Senate Room B 10:00 A.M.

**Members Present:** Delegate Terrie Suit, Senator John Watkins, Senator Mamie Locke, Senator Mary Margaret Whipple, Delegate John Cosgrove, Delegate Robert Hull, Delegate Danny Marshall, and F. Gary Garzynski.

**Staff Present:** Elizabeth Palen and Patrick Regan.

Approximately 70 members of the public were present.

#### I. Welcome and Call to Order, Delegate Terrie Suit, Chair

#### II. Presentations

**Tuck Reed**, Executive Vice-President, SunTrust Mortgage Secondary Marketing Division

- Risk and risk taking are an element of our economy.
- The last 9 years have been extraordinary.
- Treasury rates were declining, but mortgage rates were decreasing at an even faster rate.
- Essentially, home owners borrowed from the future, people who would ordinarily save for awhile before purchasing a home didn't need to because banks were willing to give loans for low house purchase down payments.
- Sub-prime loans began to increase losses for the banks' investments.
- Hedge funds that are losing money began to sell prime jumbo loans, so in the capital markets investors began liquidating their investments and the banks didn't see it coming.
- Dealers just stopped buying the investments because they were getting inundated with these products that they were unsure of.
- Banks became unable to predict their losses because of this which then collided with other small effects to create a major problem.
- Currently, the outlook for sub-prime mortgages is very weak. There is no liquidity for that product.

- Government sponsored entities are offering products that are similar to sub-prime to assist, but we may never see sub-prime mortgages again, at least not in the near future.
- A sub-prime borrower is typically a borrower with a credit score of 620-640 and below. Prime borrowers have credit scores above that.
- The average credit score in the US is a little above 720.
- Sub-prime loans typically are fixed for three years and then adjust for 27 years-1 to 2% higher interest rate than prime loans.

**John McClain**, Senior Fellow and Deputy Director, Center for Regional Analysis, School of Public Policy, George Mason University

- The Center for Regional Analysis conducts research on the Washington area economy for businesses and the government.
- Delegate Hull asked them to analyze the Virginia housing market.
- They have worked with the Virginia Association of Realtors to get information from the entire state.
- The Office of Housing Policy Research was created within the Center.

**Lisa A. Fowler**, Director, Office of Housing Policy Research, School of Public Policy, George Mason University

- Please see packet - online; charts showing default rates.

### **III. Work Group Reports**

#### **A. Housing and Environmental Standards, Senator Watkins-Chair**

**HB 2297**-deals with sprinklers and the requirement of automatic sprinkler systems in residential buildings.

- Survey results are available.
- Buildings over 75' or six stories would be required to be equipped with an automatic sprinkler system within 10 years.
- There is a provision for a tax credit as well, but it is only credible at the time the construction is complete and authenticated.

Delegate McClellan

- This bill was first introduced as a result of a fatal fire at a retirement community, the Imperial Plaza in Richmond.
- The work group expanded it to all residential buildings, not just senior citizens.
- Opponents to the legislation bring up the cost issues, however it affects very few buildings and is proven to save lives.

Dorothy Jefferson's oldest daughter is here to speak; she lost her mother in the Imperial Plaza Fire

- Ask that preventive measures be taken to prevent accidents.

Pat O'Hare-Home Builders Association of Virginia

- Affordable housing will not be possible if this is done.
- Residents will have to leave their buildings for the retrofitting and then they won't be able to afford the rent once they want to move back in.

- Please defer action until findings of the International Code Commission (ICC) are available.

Sean Pharr-Virginia Department of Management Association

- A letter outlining the members' concerns was delivered to the Commission.
- Eventually responding is better than never and the market is responding to the sprinkler issue. Buildings can be required to retrofit as they are renovated.
- Tenants are really bearing the costs of sprinkler retrofitting.
- Incentives are a great idea, but the actual cost of sprinkler retrofitting is more than just the cost of materials, there is no predictability for the costs and it is unknown when those costs would kick in.

Emory Rodgers

- ICC has rehabilitation code incentives and will be coming out with a draft soon.

Sen. Watkins-The work group recommends that we go forward. The legislation provides the Building Codes Board at DHCD with the ability to promulgate these rules, it allows for evolving technologies.

- Motion to move the bill to a vote by Senator Watkins. Motion seconded by Delegate Cosgrove.
- There is a substitute motion by Delegate Hull to delay for 1 year pending ICC committee. The motion fails, 4-3.
- Original motion carries, 5-2. The recommendation goes forward to the full General Assembly.
- There was not a consensus or unanimous recommendation.

**SB 1077**-Carbon Monoxide (CO) detectors

- A tenant shall not be allowed to remove a CO detector that is installed by the landlord, and gives the tenant the ability to install their own devices.
- Motion by Sen. Watkins, no opposition, the motion passes.

## **B. Common Interest Communities, Senator Whipple-Chair**

### **Common Interest Community Management Board**

- Common Interest Community Board Draft created and presented to:
- Establishes a Common Interest Communities Board, creates a Common Interest Management Information Fund and allows for a certification process for Common Interest Association managers.
- It also puts into place a licensing scheme for managers of common interest communities.
- Motion by Sen. Whipple, second by Del. Hull.
- Unanimous adoption, the motion passes.

**HB 1771**-Virginia Real Estate Time-Share Act. This bill was patroned during the 2007 session by Delegate Cosgrove.

- No action taken.

**SB 844**-Condominium and Property Owner's Association Acts; resale certificates packets

- Discussed and the Commission would not take up legislation.
- Delegate Suit will address during session in an individual capacity.

### **C. Housing Affordability, Delegate Cosgrove-Chair**

**HB 1825**-Establishes a housing trust fund.

- Motion by Del. Cosgrove and second by Sen. Locke.
- Delegate Hull wanted to know the status of federal legislation addressing a Housing Trust Fund with matching state funds.
- The motion passes with no opposition.

**HB1789**-Landlord and Managing Agent immunity for mold claims.

Chip Dicks, Virginia Association of Realtors

- The section addressing immunity is a separate bill. The bill before the Commission addresses the process for a move in inspection and for remediation.
- The immunity section is not part of the bill before the VHC because an agreement could not be reached between the Virginia Association of Realtors and the Virginia Trial Lawyers Association (VTLA).

Steve Pearson, Virginia Trial Lawyers Association

- The two sides have not been able to reach an agreement on the immunity issue. Immunity is a drastic remedy that should only be a last resort, insurance is a better option
- There is agreement on the bill for the notice provisions, move in procedures and remedies available, however.
- Delegate Kilgore was the original patron, but Delegate Cosgrove will carry this forward if the VHC does not endorse it.
- Technical amendments made by Steve Pearson and Chip Dicks would be included in the current draft.
- There is a motion to include the amendments. The motion passes.
- Motion to move the bill forward, without the immunity section. The motion passes.

**SJR 366**-State Incentives for targeted affordable housing development.

- Work group recommends that it be continued to 2008.

**HB 2117**-Community Investment Corporation Development Commission.

- Recommended that if this bill was to be taken up again it should be recommended that it go to Finance.
- The Chair will recommend to the patron that it go to Finance.

**HB 2927**-Affordable Dwelling Units.

- Work group recommends that it be continued to 2008.

### **D. Residential Land Use, Delegate D. Marshall-Chair**

**HB 3033**-Transfer of Development Rights.

- Recommended that no action be taken at this time.

**HB 2009**-Exercise of eminent domain authority; compensation for land owners.

- Referred to Courts of Justice Committee and was not discussed.

**HB 1824**-Use of Eminent Domain.

- Referred to Courts of Justice Committee and was not discussed.

#### **E. On-Site Sewage Issues, Delegate Suit-Chair**

**HB1950**-Professional Engineering design of onsite treatment works.

- Alan Knapp-VA Department of Health
- Bill refers to onsite sewers, Health Department used to give permits for septic systems
- 1994 Onsite Soil Evaluators created, and at 1999 they were given ability to make designs, but they also could not practice without engineering degrees
- Bill introduced last year and referred to VHC
- Jay DeBoer, Director DPOR-both sides have worked hard to get a result
- DPOR has licensure programs for engineers
- New category of licensed onsite soil evaluators
- Legislation is proposed as 3 bills
- Motion unanimous with caveat that Delegate Hull propose new language choices.

**IV. Votes on Legislation to endorse were held, following draft descriptions, during each of the Work Group summaries.**

**V. Commission Meeting Adjourned at 12:25 pm.**