

VIRGINIA
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HOUSING
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STUDY
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COMMISSION

1992 Annual Report to the Governor and
The General Assembly of Virginia

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General Assembly of Virginia

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Virginia House of Delegates
94th Legislative District

The Honorable James F. Almand
Virginia House of Delegates
47th Legislative District
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3rd Legislative District
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Springfield

Mrs. Virgia B. Hobson
Martinsville

Mr. Richard J. November
Richmond

Executive Director

Nancy M. Ambler, Esquire
Richmond

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INTRODUCTION

BACKGROUND

Established by the 1970 Virginia General Assembly, the Virginia Housing Study Commission was originally mandated "to study the ways and means best designed to utilize existing resources and to develop facilities that will provide the Commonwealth's growing population with adequate housing." The Commission was further directed to determine if Virginia laws "are adequate to meet the present and future needs of all income levels" in Virginia, and to recommend appropriate legislation to ensure that such needs are met.

The Commission is comprised of eleven members, including five members of the Virginia House of Delegates, three members of the Virginia State Senate, and three gubernatorial appointees. Delegate Alan A. Diamonstein (D-Newport News) has served as the Commission's Chairman since soon after its establishment.

Increasingly, the Commission has come to be recognized as a forum for new ideas in Virginia housing, and as a focal point for helping to develop consensus for such ideas. Nationally, the Commission is one of only a few such bodies that work closely with the public and private sectors and nonprofit organizations to develop workable solutions to housing problems, and advocate within state government for their implementation.

From 1971 throughout the mid-1980s, the Commission introduced numerous pieces of legislation, subsequently passed by the Virginia General Assembly, to further its goal of ensuring safe, decent affordable housing for every Virginian. Commission accomplishments during that time period include:

- The establishment of a state office of housing, now the Division of Housing of the Virginia Department of Housing and Community Development
- The establishment of the Virginia Housing Development Authority
- The Uniform Statewide Building Code
- The Virginia Residential Landlord and Tenant Act
- The Virginia Condominium Act
- The Virginia Real Estate Cooperative Act.

In 1987, the Commission proposed the creation and capitalization of the landmark Virginia Housing Partnership Fund. In 1988, at the Commission's recommendation, the General Assembly established the Fund and increased state allocations for housing programs from \$400,000 to \$47.5 million for the 1989-90 biennium. Other successful 1987-88 recommendations include the establishment of a Virginia income tax voluntary contribution program for housing programs, the Virginia Housing Foundation (now the Virginia Community Development Corporation), and the annual Governor's Conference on Housing.

Commission recommendations embraced by the 1989 General Assembly include: a state low income housing tax credit program; state authorization of such flexible zoning techniques as planned unit developments, mixed unit developments, and density bonuses; and exemption of nonprofit housing organizations from tangible personal property tax on materials purchased for the development of affordable housing.

In 1990, the General Assembly approved additional Commission initiatives, including: a \$3.0 million program to provide indoor plumbing for

rural Virginians; a tax credit program for landlords providing rent discounts to low income elderly or disabled tenants; a legislative mandate that localities study affordable housing in preparing their comprehensive plans; and legislation requiring localities to provide for the placement of double-wide manufactured housing in districts zoned primarily for agricultural purposes.

Commission recommendations passed by the 1991 General Assembly include: amendments to the Virginia Fair Housing law to ensure that Virginia law is substantially equivalent to federal law; amendments to the Virginia Residential Landlord and Tenant Act reducing the exemption for single family rental housing from ten to four units held by owners of such property (and thereby ensuring that some sixty percent of such rental units in the state are covered by the Act); and establishment of a Virginia Manufactured Housing Licensing and Transaction Recovery Fund.

The 1992 General Assembly approved the following Commission recommendations: comprehensive consumer protection language in the Virginia Mobile Home Lot Rental Act; a one-time right of redemption of tenancy prior to an action for eviction or unlawful detainer; expansion of the Virginia tax credits program, fostering rent discounts to low-income elderly or disabled tenants, to include single family units; and restoration of the Virginia Housing Partnership Fund to the Virginia General Fund Budget.

1992 WORK PROGRAM

The Commission in 1992 focused on the following broad areas of study: Homelessness in Virginia; Affordable Housing Finance; and the Virginia Condominium Act. As in previous years, the Chairman appointed Subcommittees comprised of a cross section of housing advocates to share with the Commission their insight and expertise on designated study issues. To gather testimony on those issues, the Commission convened regional public hearings attended by hundreds of Virginia citizens. Then, joined by its Subcommittees and the Boards and key staff of DHCD, VHDA, and the Virginia Housing Research Center, the Commission convened its annual legislative work session. After reviewing testimony from public hearings, issue papers prepared by its staff and staff of DHCD and VHDA, and Subcommittee recommendations, the Commission unanimously agreed on the recommendations published in this report. Also in 1992, together with DHCD and VHDA, the Virginia Housing Study Commission sponsored the Fifth Annual Governor's Conference on Housing—the largest housing-related gathering regularly held in the United States—and participated in developing and implementing the Commonwealth's Comprehensive Housing Affordability Strategy (CHAS). In 1993, the Commission will continue to work diligently with housing advocates across the Commonwealth to ensure safe, decent affordable housing for every Virginian.

The Commission and its Executive Director express sincere gratitude and appreciation to all who have contributed to its work, particularly Subcommittee members; Maria J. K. Everett, Attorney at Law, Virginia Division of Legislative Services; Mr. Paul J. Grasewicz, DHCD Associate Director; Lucia Anna Trigiani, Attorney at Law, Rees, Broome & Diaz, P.C.; and participants in Commission public hearings, the Governor's Conference on Housing, and the Commission legislative work session.

EXECUTIVE SUMMARY

Following is a brief summary of Virginia Housing Study Commission recommendations to the Governor and 1993 General Assembly of Virginia.

HOUSE JOINT RESOLUTION 163: HOMELESSNESS IN VIRGINIA

The Commission was mandated under House Joint Resolution 163 passed by the 1992 Virginia General Assembly to study the causes of homelessness in the Commonwealth, and to address the following related issues: magnitude of the problem; impact on Virginia citizens; effects of family disintegration, deinstitutionalization, lack of shelters, and economic conditions; and alternatives and solutions.

The magnitude of the report requested by the 1992 General Assembly, the desire of the Commission to undertake a thorough study of the issue of homelessness in Virginia, and the intention of the Commission to make comprehensive recommendations to address homelessness in the Commonwealth have led the Commission to embrace a two year study plan. In 1992, the Commission addressed and reports herein on the following: definition of homelessness, magnitude of the problem, its impact on citizens of the Commonwealth, and causes of homelessness. In addition, the Commission will identify alternatives and solutions it will study in 1993 to determine their desirability and feasibility for possible implementation in Virginia.

Definition

Homelessness is a personal and societal tragedy that is not readily observed or identifiable. While many assume that homelessness is experienced only by the people they see "on the street," i.e., in public parks, abandoned buildings, or other unconventional domiciles, many persons experiencing homelessness in Virginia are not living "on the street," but rather in a homeless shelter or temporarily housed with family or friends. For purposes of its report, the Commission does not include in its definition of homelessness unaccompanied minors or persons displaced primarily as a result of domestic violence.

Magnitude

An accurate count of the homeless is very difficult to achieve. While shelter counts provide the most accurate statistics, they do not include persons who do not seek shelter or who do seek shelter but are turned away for lack of space or other reasons. Shelter counts, of course, are taken only when a locality has a shelter.

There are currently two major annual efforts to count the number of homeless persons in Virginia. The Virginia Coalition for the Homeless 1991 survey, which includes responses from 73 shelters, reports that 84,050 persons requested shelter, and 60,308 were sheltered. The report states that 23,740 persons were turned away from shelters for lack of space — a 31 percent increase over the previous year.

The other major data collection effort is conducted by the Virginia Department of Housing and Community Development, which indicates that for the fiscal year ending June 30, 1991, Virginia served 29,196 persons in state-assisted shelters for the homeless. Further, 22,666 persons were turned away for lack of space.



Commission Chairman
Alan A. Diamonstein.

Impact

Homelessness has its greatest impact on the Commonwealth's most vulnerable populations, including single parents, their children, and the mentally ill. While many homeless families experienced multiple problems — including a pattern of housing mobility, domestic violence, child abuse, and substance abuse — prior to becoming homeless, the stress of homelessness only adds to such hardships and creates new risks.

Causes

The emergence of homelessness as a major social problem represents the confluence of several significant developments during the 1980s. These developments include but are not limited to: real estate inflation, loss of affordable housing, decreases in earned income, erosion of public benefits, failures of funding for our community-based mental health system (most studies indicate that about one-third of homeless persons are mentally ill), and more widespread substance abuse.

Recommendations

In 1993, the Commission will study the desirability and feasibility of recommending for implementation a number of potential solutions to homelessness in Virginia identified in the course of researching and drafting this report. These potential solutions may include but are not limited to the following:

Data and Policy

- Conduct an annual one-day count of SHARE-funded shelters and religious organization-sponsored shelters in the summer and the winter to determine more precisely the number of homeless persons in Virginia.
- Conduct research on the number of persons doubled-up to determine more precisely the number of persons at high risk of homelessness.
- Ensure excellent coordination among Virginia state agencies that serve the homeless and those at risk of homelessness.
- Review the overlapping systems serving Virginians with mental disabilities to ensure excellent coordination, accountability, and discharge procedures.
- Review the eviction and appeal bond laws as codified by the Commonwealth of Virginia.
- Review state land use, zoning, and building code enabling legislation to ensure that localities have adequate authority to develop housing programs for the homeless.
- Review the processing time frame (currently up to 45 days, depending on the program) and eligibility requirements for state assistance benefits to ensure expeditious delivery of such benefits.
- Review admission policies to and within public school systems to ensure the education of homeless children continues uninterrupted.
- Review taxation and zoning laws pursuant to SROs.
- Review the transitioning of emancipated foster children into permanent housing.

Programs

- Seek to ensure adequate affordable housing, including emergency shelter, transitional housing, congregate housing, and permanent housing together with coordinated support services and a chemical/alcohol treatment continuum for Virginians who are homeless or at risk of homelessness.

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- Seek to ensure medical infirmaries for displaced persons who are ill and need recuperative rest and care, including persons with AIDS.
 - Seek to prevent homelessness resulting from evictions and foreclosures, combining financial assistance, legal and financial counsel, and protections provided under the federal Americans With Disabilities Act.
 - Review Virginia Coalition for the Homeless recommendations pursuant to the following: 1) an earned income tax credit program for households in which at least one member is a wage-earner, and 2) a circuit breaker property tax relief program for income-targeted households whose property taxes exceed a designated amount.

AFFORDABLE HOUSING FINANCE

Investing Public Monies to Support Community Reinvestment

Community reinvestment by financial institutions is a significant private sector contribution to the general welfare of the Commonwealth and its localities. Such reinvestment reduces the need and demand for public money and assistance in low-income areas, and is to be commended and encouraged. Therefore, the Commission recommends adding to Title 2.1 of the Code of Virginia a new section that would require departments, authorities, and other entities of state government that invest public monies in depository institutions to utilize institutions that, if rated, have received a Community Reinvestment Act performance evaluation rating of satisfactory or outstanding. The Commission also encourages local governments to follow the example of the Commonwealth in investing public funds in financial institutions which, if rated, have received CRA performance evaluation ratings of satisfactory or outstanding.



Commission member Virgia B. Hobson with Attorney General Mary Sue Terry following the Attorney General's address at the Commission-sponsored 1992 Conference on Housing.



Commission member
Richard J. November.

Providing Safe Drinking Water for Virginia Residents

State legislation and regulations governing public water supplies define “waterworks” as a system that serves piped water for drinking or domestic use to the public and serves at least 15 connections or an average of 25 individuals. Waterworks systems that do not meet this definition are exempt from compliance requirements of state public water system law and regulation, and the Virginia Health Department has no legal authority to monitor or require correction and contaminant abatement of unpure water in such systems. Some manufactured home parks have intentionally maintained their number of residents below 25 to avoid regulation, and an increasing number of manufactured home park residents have expressed concern about unsanitary drinking water.

Clearly, a reasonable balance must be struck between the extent of testing and the threshold criteria for Health Department monitoring on the one hand and the importance of safe, sanitary drinking water for rural Virginians on the other. The Commission considered the possibility of recommending expanding Health Department monitoring of drinking water to all manufactured home parks that provide continual residential facilities. The Commission also considered reducing from 15 to ten the Manufactured Home Lot Rental Act trigger number that calls for Health Department monitoring of drinking water. In addition, the Commission considered expanding the state definition of “waterworks.”

After considering such alternatives and others, the Commission referred the issue — together with the suggestion that alternative methods of conducting testing, perhaps privately, be reviewed — to the Virginia Water Commission for further study. A presentation was subsequently made to the Water Commission by the Executive Director of the Housing Study Commission, and the Water Commission has taken the issue under advisement.

Taxation Issues

Neighborhood Assistance Act

Since its 1982 enactment, the Virginia Neighborhood Assistance Act (NAA) has provided businesses with tax credits in exchange for private sector assistance or services to impoverished communities or persons. The current ceiling on tax credits is \$5.25 million annually, and demand for credits exceeds their availability. The Commission requests that the Department of Social Services — the NAA administering agency — review its NAA program criteria, rules, and regulations; survey nonprofit program participants to determine the Department’s NAA-related responsiveness to clients; and compile a roster of NAA projects funded to date, including a brief program description and allocation amount for each. The Department will provide the Commission with a report on its findings no later than June 30, 1993.

Tax Refund Check-Off for Affordable Housing

Since the enactment of the Virginia Tax Check-Off for Housing Program in 1988, approximately \$800,000 has been contributed for housing assistance for the homeless, the elderly, and the disabled. The Commission recommends legislation to extend for an additional five years the Check-Off for Housing Program as a taxpayer refund contribution option on the Virginia Individual Income Tax Return.

Virginia Housing Development Authority Legislation

Tax Credits for Rent Reductions

The 1990 Virginia General Assembly authorized residential landlords to claim a state tax credit for rent reductions of at least 15 percent provided to low-income elderly or disabled tenants. Under this VHDA administered program, landlords are authorized to claim a tax credit for 50 percent of the amount by which they reduce rent below the level charged to other tenants for comparable units in the same property or, as applicable, in the same market area. A total of \$1.0 million per year in tax credits is authorized for taxable years beginning on or after January 1, 1991, through December 31, 1993. The Commission recommends legislation to delete the program expiration date of December 31, 1993.

Insurance Issues

The Commission recommends legislation authorizing VHDA to insure, self-insure, or pay for the liability of its commissioners and employees arising from the performance of their duties or other activities approved by the VHDA commissioners.

Wire Transfer, Liability Issues

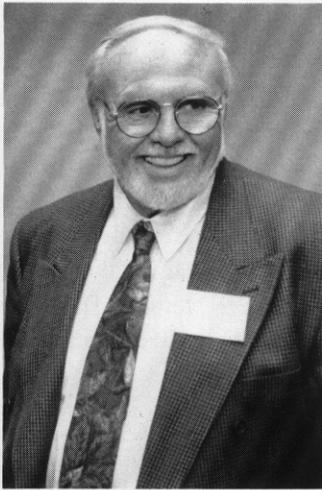
The Commission recommends legislation providing for the payment of VHDA funds by wire transfer or other means authorized by VHDA and to specify that no commissioner or employee of VHDA shall be liable for any investment loss in the absence of negligence, malfeasance, misfeasance, or nonfeasance.

Planning and Zoning for Affordable Housing

The Commission reaffirms its support for House Bill 780, carried over from the 1992 Session, as an opportunity to begin to break down local exclusionary barriers by asserting the responsibility of localities to consider the current affordable housing needs of a more broadly defined community.



Commission member Robert L. Calhoun with Lieutenant Governor Donald S. Beyer, Jr., following the Lieutenant Governor's address at the 1992 Conference on Housing.



Commission member
Lewis W. Parker, Jr.

1993 Legislative Resolutions

Federal Funding for Affordable Housing

Federal programs will provide over 74 percent of the funds for Department of Housing and Community Development affordable housing programs during fiscal year 1993. The Commission recommends a legislative resolution during the 1993 General Assembly Session requesting that the Virginia Congressional delegation support current or increased levels of federal funding for affordable housing programs in Virginia.

Establishing Standards for Home Inspectors

In recent months, members from around the Commonwealth have expressed concern to the Home Builders Association of Virginia regarding the apparent lack of any uniform requirements or qualifications for those engaged in the home inspection business. The Commission recommends a legislative resolution to be introduced during the 1993 General Assembly Session mandating the Department of Commerce to study the desirability and feasibility of licensing home inspectors.

SENATE JOINT RESOLUTION 204: VIRGINIA CONDOMINIUM ACT

Senate Joint Resolution 204, passed by the 1991 Virginia General Assembly, directed the Commission to study the provisions of the Virginia Condominium Act as they relate to the operation and management of condominium unit owners associations. The overall issue considered by the Commission was whether specific issues related to the operation and management of condominium unit owners associations should be legislated in detail or left, within parameters of public policy, to the drafter of documents for each individual condominium. Legislation to amend both the Condominium Act and the Property Owners' Association Act was introduced by the Commission during the 1992 Session of the Virginia General Assembly. A number of those measures were adopted and became effective July 1, 1992.

The Commission completed its SJR 204 study in 1992, and makes the following recommendations for 1993 legislation pursuant to the Condominium Act and the Property Owners' Association Act.

Operation and Management of Condominiums

Assessment Collection and Lien Priority

Condominium Act, Section 55-79.84A; Property Owners' Association Act, Section 55-516.

Seek additional comment and review this developing area of the law as it relates to whether the association's lien for non-payment of assessments should have limited priority over a first deed of trust on a condominium unit or on a lot in a property owners association.

Rules Enforcement

Condominium Act, Section 55-79.80C; Property Owners' Association Act, Section 55-515.

Expand the authority of a condominium and property owners association in its rule-making enforcement authority. This expansion would include the authority for the association to deny individual owners determined to have violated association rules and regulations access to non-essential facilities and services offered by the association.

Board of Directors

Condominium Act, Sections 55-79.53 and 55-79.38B.

Correct a drafting oversight which may invalidate certain actions of a unit owners association under Section 55-79.80B.

Government Regulation

Dispute Resolution

Enact legislation to facilitate alternative dispute resolution for community associations. Such proposal would have two primary components: (1) amend the Condominium Act and Property Owners' Association Act to give the draftsmen of association documents guidance to include in the bylaws for such associations alternative dispute resolution as a mechanism for resolving disputes; and, (2) offer legislation to create an alternative dispute resolution information clearinghouse. The Virginia Real Estate Board would be designated as the entity responsible for offering such information and general guidance to members of the public by referring them to existing alternative dispute resolution programs.

Central Records

Require that both condominium and property owners associations prepare an annual report and file it with the Virginia Real Estate Board. The Board would be entitled to charge a minimal fee. Property owners associations, predominantly nonstock corporations in Virginia, would be entitled to comply with the requirement by filing a copy of their State Corporation Commission annual report with the Virginia Real Estate Board together with the appropriate fee.



Alan Diamonstein with Commission member Clinton Miller.

Commercial Condominiums

Require the delivery of a resale certificate upon sale of a unit in a condominium restricted to commercial use.

Declarant Issues

Assessments

Condominium Act, Section 55-79.83(c1).

Expand the provisions of the condominium assessment bond to provide that the bond must remain in force and effect until such time as the Declarant owns fewer than ten percent of the units in the condominium or is current in payment of assessments.

Successor Declarant Rights

Condominium Act, Sections 55-79.41 and 55-79.74:3.

Clarify that a lender will be responsible for making application for registration prior to conveying units acquired in foreclosure.

Management Issues

Governmental Regulation

Introduce a resolution mandating the study of the need for licensing or otherwise regulating condominium management firms. The Virginia Department of Commerce has indicated a willingness to conduct that study, if the study resolution is adopted during the 1993 Session of the Virginia General Assembly.

Drafting Issues

To maintain Virginia's preeminence in such legislation, monitor the developing area of the law as it relates to consistency and simplification of language, time periods, and disclosure requirements in all of the Virginia laws regulating common interest ownership communities.

Elections

- Amend the Condominium Act to provide that an uninstructed proxy should include a brief explanation of the effect of leaving the proxy uninstructed.
- Amend the Condominium Act to provide that a board appointee filling a vacancy serves until the next annual meeting of the association. At that next annual meeting, the association members would then be entitled to elect an individual to fill that vacancy for the balance of the remaining term of office.

Occupancy Restrictions

Given that a study of local government regulations restricting the number of occupants of a dwelling is currently in process by an industry trade association, await the study report and further monitor the issue.

Common Area Real Estate Tax Assessments

Clarify Section 58.1-3284.1 of the Virginia Code to provide that the common area is assessed only for that period during which the developer owns the property. The Code currently provides that an association will not be taxed for the common area it owns.

Applicability of the Virginia Property Owners' Association Act

Monitor the issue of whether the Property Owners' Association Act should be amended to expand application of that statute to all property owners associations in Virginia, regardless of the amount each lot is assessed each year.

Termination of Condominiums

Enact legislation to provide that the termination sections of the Virginia Condominium Act (Sections 55-79.71, 55-79.72, and 55-79.72:1) are consistent with those of the Uniform Condominium Act.



Virgia Hobson and Commission member Charles L. Waddell.

HOMELESSNESS IN VIRGINIA

HOUSE JOINT RESOLUTION 163: HOMELESSNESS IN VIRGINIA

The Virginia Housing Study Commission was mandated under House Joint Resolution 163 passed by the 1992 Virginia General Assembly to study the causes of homelessness in the Commonwealth, and to address the following related issues:

- magnitude of the problem
- impact on Virginia citizens
- effects of family disintegration, deinstitutionalization, lack of shelters, and economic conditions
- alternatives and solutions.

The Commission in previous years has reported on various facts and issues related to homelessness in Virginia, and has recommended several landmark programs which have helped to move the Commonwealth into a position of national leadership in addressing the tragedy of homelessness. Such programs include the emergency shelters component of the Virginia Housing Partnership Fund, expansion of the Virginia Residential Landlord and Tenant Act to cover all multifamily and most single family rental units, enactment of a codified one-time right of redemption of tenancy, and the Homeless Intervention Program designed to prevent homelessness.

The magnitude of the report requested by the 1992 General Assembly, the desire of the Commission to undertake a thorough study of the issue of homelessness in Virginia, and the intention of the Commission to make comprehensive recommendations to address homelessness in the Commonwealth have led the Commission to embrace a two year study plan. In 1992, the Commission addressed and reports herein its findings on the following: definition of homelessness, magnitude of the problem, its impact on citizens of the Commonwealth, and causes of homelessness. In addition, the Commission identified alternatives and solutions it will study in 1993 to determine their desirability and feasibility for possible implementation in Virginia.

Definition of Homelessness

Homelessness is a personal and societal tragedy that is not readily observed or identifiable. Many assume that homelessness is experienced only by the people they see "on the street," i.e., in public parks, abandoned buildings, or other unconventional domiciles. To the contrary, many of the persons experiencing homelessness in Virginia are not living "on the street," but rather in a homeless shelter or temporarily housed with family or friends. Persons living "on the street" are usually single males, while many of the persons living in shelters or with family or friends are working families with children.

Peter Rossi, author of *Down and Out in America: The Origins of Homelessness*, offers the following definition of homelessness:

(P)ersons are classified as homeless if they are living outside conventional dwellings, either spending nights in shelters for homeless persons or in locations that are not intended for dwelling - on the street, in abandoned houses, or in public places such as bus stations or hospital waiting rooms.

A more comprehensive understanding of the homeless must also include those who are "temporarily housed" as guests in a situation, in which two or more persons are living beyond the capacity of a housing unit. Temporarily housed may be defined further as a shared housing arrangement in which one or more persons in an overcrowded housing unit is paying less than a fair share (as defined by the homeowner or leaseholder) of the total housing costs. The host, possibly in violation of local occupancy ordinances, inconvenienced by overcrowding, and with little or no vested interest in the guest's stay (other than some familial or friendship-related obligation), may be inclined to displace the guest at will and on short notice. The key feature of a temporary housing arrangement is the tenuousness of the guest's stay, and persons who are guests in successive such situations often experience homelessness episodically, usually after sudden displacement from a host's home. For the purposes of this report, homelessness is not defined to include *unaccompanied* minors, including runaways and children in foster care, or persons displaced *primarily* as a result of domestic violence. For both groups, there are many policy and services issues that are unique to persons in such situations.

Magnitude of the Problem

The homeless can be counted and profiled with any reasonable degree of accuracy only when they seek housing in a shelter. Persons suddenly displaced from housing will use a shelter year-round, regardless of the weather, although sudden displacements seem to occur more frequently during the summer. Persons living "on the street" will often stay in a shelter when the weather is intemperate, especially when temperatures are low enough to be life-threatening. Therefore, although a count of the homeless in shelters will probably be the most comprehensive when it occurs on a very cold night, even that count will not fully convey the magnitude of the homelessness problem. It will not include, for example, persons not admitted into shelters because of unacceptable behavior (most commonly drunkenness); persons temporarily housed with family or friends; or persons turned away from shelters for lack of space.

As the U.S. Census Bureau came to realize during the 1990 Census, there are many obstacles to counting the number of homeless persons who are unable to gain admittance into shelters or who avoid them altogether. These persons often stay overnight in spaces unauthorized for sleeping, such as abandoned buildings, making them subject to charges of trespassing. Since enumeration would reveal their illegal activity, they usually elude detection. In Virginia, the Census Bureau identified only 122 persons on the street during its "Shelter and Street Night" count (March 21, 1990).

The only measure of the temporarily housed population available is from the U. S. Census count of overcrowded units, which is defined as a unit with more than one person per room. In 1980, the U. S. Census found 64,081 overcrowded units; the 1990 U. S. Census found 65,042, an increase of only two percent. If the number of overcrowded units is an accurate indicator of those temporarily housed, it appears that this population did not increase significantly during the 1980s.

The number of persons denied requests for shelter, commonly known as "turnaways," serves as an important indicator of the number of homeless persons outside of shelters and for assessing the need for additional shelter. It would be misleading, however, to assume that every person reported as a turnaway failed to receive shelter and was therefore "on the street," when in fact a turnaway of one shelter with maximum occupancy may be admitted to another with space available.

1990 U.S. CENSUS COUNT OF HOMELESS PERSONS IN VIRGINIA

COUNTY	# of Persons In Emergency Shelters	# of Persons Visible "On The Street"	Overcrowded* Units	Total Homeless Persons	COUNTY	# of Persons In Emergency Shelters	# of Persons Visible "On The Street"	Overcrowded* Units	Total Homeless Persons
Accomack	11	0	437	448	Loudoun	68	0	481	549
Albemarle	0	0	454	454	Louisa	0	0	272	272
Alexandria City	300	0	2664	3052	Lunenburg	0	0	156	156
Alleghany	0	0	87	87	Lynchburg City	47	0	461	508
Amelia	0	0	125	125	Madison	0	0	197	197
Amherst	0	0	191	191	Manassas City	5	0	297	302
Appomattox	0	0	137	137	Manassas Park City	0	0	88	88
Arlington	70	68	4727	4865	Martinsville City	5	0	167	172
Augusta	0	0	279	279	Mathews	0	0	55	55
Bath	0	0	46	46	Mecklenburg	0	0	393	393
Bedford City	0	0	42	42	Middlesex	0	0	73	73
Bedford	0	0	274	274	Montgomery	0	0	469	469
Bland	0	0	46	46	Nelson	0	0	169	169
Botetourt	0	0	114	114	New Kent	0	0	77	77
Bristol City	0	0	93	93	Newport News City	103	13	2288	2404
Brunswick	0	0	251	251	Norfolk City	225	0	4763	5018
Buchanan	0	0	348	348	Northampton	0	0	191	191
Buckingham	0	0	226	226	Northumberland	0	0	112	112
Buena Vista City	0	0	43	43	Norton City	0	0	31	31
Campbell	0	0	364	364	Nottoway	0	0	173	173
Caroline	0	0	314	314	Orange	0	0	222	222
Carroll	0	0	207	207	Page	0	0	235	235
Charles City	0	0	96	96	Patrick	0	0	147	147
Charlotte	0	0	193	193	Petersburg City	64	0	633	697
Charlottesville City	28	0	474	502	Pittsylvania	0	0	650	65
Chesapeake City	0	0	1445	1445	Poquoson City	0	0	37	37
Chesterfield	32	0	973	1005	Portsmouth City	0	0	1653	1653
Clarke	0	0	104	104	Powhatan	0	0	82	82
Clifton Forge City	24	0	17	41	Prince Edward	0	0	266	266
Colonial Heights City	20	0	56	76	Prince George	0	0	304	304
Covington City	0	0	46	46	Prince William	93	0	1726	1819
Craig	0	0	29	29	Pulaski	0	0	226	226
Culpeper	0	0	309	309	Radford City	0	0	45	45
Cumberland	0	0	121	121	Rappahannock	0	0	50	50
Danville City	61	0	558	619	Richmond City	288	0	2609	2897
Dickenson	0	0	189	189	Richmond	0	0	79	79
Dinwiddie	0	0	246	246	Roanoke City	237	0	839	1076
Emporia City	0	0	90	90	Roanoke	0	0	219	219
Essex	0	0	100	100	Rockbridge	0	0	108	108
Fairfax City	59	0	221	280	Rockingham	0	0	422	422
Fairfax	389	0	10149	10538	Russell	0	0	207	207
Falls Church City	10	0	126	136	Salem City	0	0	84	84
Fauquier	0	0	355	355	Scott	0	0	212	212
Floyd	0	0	78	78	Shenandoah	0	0	210	210
Fluvania	0	0	154	154	Smyth	0	0	207	207
Franklin City	0	0	74	74	South Boston City	0	0	76	76
Franklin	0	0	391	391	Southampton	0	0	221	221
Frederick	0	0	293	293	Spotsylvania	0	0	475	475
Fredericksburg City	13	41	202	256	Stafford	0	0	414	414
Galax City	11	0	55	66	Staunton City	34	0	116	150
Giles	3	0	126	129	Suffolk City	0	0	631	631
Gloucester	0	0	273	273	Surry	0	0	79	79
Goochland	0	0	93	93	Sussex	0	0	158	158
Grayson	0	0	120	120	Tazewell	15	0	317	332
Greene	0	0	114	114	Virginia Beach City	294	0	3366	3660
Greensville	0	0	166	166	Warren	0	0	214	214
Halifax	0	0	414	414	Washington	0	0	250	250
Hampton City	6	0	1353	1359	Waynesboro City	0	0	139	139
Hanover	0	0	254	254	Westmoreland	0	0	239	239
Harrisonburg City	0	0	129	129	Williamsburg City	0	0	51	51
Henrico	46	0	1118	1164	Winchester City	0	0	225	225
Henry	0	0	549	549	Wise	13	0	393	406
Highland	0	0	10	10	Wythe	0	0	191	191
Hopewell City	0	0	247	247	York	0	0	251	251
Isle of Wight	0	0	294	294					
James City	0	0	229	229					
King and Queen	0	0	74	74					
King George	0	0	166	166					
King William	0	0	125	125					
Lancaster	0	0	111	111					
Lee	0	0	246	246					
Lexington City	0	0	27	27					
TOTALS	2692	122	65,042	67,856					

*more than one person per room

1990 U.S. Census data produced by Drs. C. Theodore Koebel, Virginia Center for Housing Research, and William J. Ernst III, Virginia Department of Housing and Community Development.

Despite its inaccuracy, the count of the number of turnaways should be considered in addition to counts of persons sheltered when measuring the magnitude of homelessness in a community. Unfortunately, the availability of shelter in a community is not usually determined by need alone. Other factors which influence the number of shelter spaces include the financial resources available for human services (which may be determined by the success of a community's United Way) and the local government's support of shelter programs. Therefore a count of homeless persons in shelters may reveal more about the financial and political characteristics of a community rather than the extent of homelessness within it. The turnaway rate suggests the magnitude of unmet need.

There are currently two major annual efforts to count the number of homeless persons in Virginia. The Virginia Coalition for the Homeless has since 1986 distributed a survey to all shelters in Virginia to determine the number and characteristics of persons served by those agencies. The Coalition survey includes responses from 73 shelters, many of them religious organization-sponsored shelters. Because such shelters generally allow only a brief stay, they experience high turnover and consequently serve relatively large numbers of homeless persons.

The Coalition 1991 Shelter Provider Survey reports that 84,050 persons requested shelter, and 60,308 were sheltered. The report states that 23,740 persons were turned away from shelters for lack of space—a 31 percent increase over the previous year. Further, families comprised 50 percent of the homeless; 32 percent were children. Forty-five percent of homeless persons were working, and 18 percent were veterans of military service. Unemployment was stated by shelter providers as the leading cause of homelessness, followed by family crisis and eviction.

The other major data collection effort is conducted by the Virginia Department of Housing and Community Development (DHCD). Most shelters receive funding from DHCD through the State Homeless Housing Assistance Resources (SHARE) program, which provides operating funds to secular non-profit agencies according to the number of shelter beds they make available. These shelters are required to submit quarterly reports which include information similar to that collected by the Virginia Coalition for the Homeless. The most important difference between the DHCD data and that of the Coalition is that DHCD data does not include religious organization-sponsored shelters. As a result, the Coalition reports a much higher number of persons sheltered, despite the inclusion of domestic violence shelters (which generally experience low turnover). The use of quarterly reports, rather than an annual survey, may also account for some of the difference between the two counts.

The DHCD data for the fiscal year ending June 30, 1991, indicates that Virginia served 29,196 persons in state-assisted shelters for the homeless. Further, 22,666 persons seeking shelter were turned away for lack of space. The DHCD/SHARE data was reported by 74 homeless shelter and transitional housing providers offering a total of 3,587 beds. While 72 percent of persons seeking shelter were adults (over age 18), 28 percent were children. Nearly 74 percent were unaccompanied men or women, with 26 percent constituting couples and children. There are important differences between the annual and quarterly surveys conducted by the Virginia Coalition for the Homeless and DHCD and the aforementioned U. S. Census Bureau one-night counts. Obviously the latter will yield much lower numbers. Annual and quarterly surveys, while including potentially duplicative numbers, are better suited to reflect detailed characteristics of the homeless, such as the reasons for homelessness, family size, and

ages. One-night surveys are very cumbersome instruments for collecting such information, and they fail to capture fluctuations in the homeless population during different times of the year.

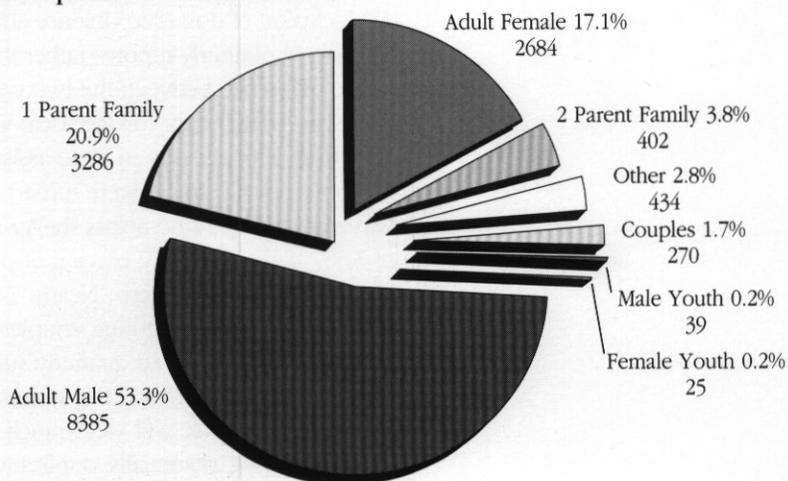
Despite the imperfections of both methods, a one-day count of persons in shelters would be expected to yield a more accurate count than annual surveys if it is conducted statewide on a date when most homeless people would be expected to seek shelter. To help assess the number of homeless persons outside of the shelters during the one-day count, observations of places where persons "on the street" are known to congregate (perhaps a downtown public park) should be included whenever possible. To include the temporarily housed population with the results of the one-day count, the number of overcrowded units per locality as determined by the U. S. Census or any other local measures should be presented with the results. The results of the one-day count could be projected into annual figures by multiplying the results by the average length of stay in shelters. Ultimately, it is hoped that more complete documentation of the numbers and characteristics of Virginia's homeless population will result in better ability to meet their needs.

Impact on Virginia Citizens

Homelessness has its greatest impact on the Commonwealth's most vulnerable populations. These include single parents, their children, and the mentally ill.

Research on homeless families conducted by Paula Dail (1990), formerly an associate professor at Virginia Tech University, and others (Bassuk, 1986, and Molnar, et al, 1990) reveals that many may be characterized as "multi-problem families." Their problems include a pattern of housing mobility, moving between their own housing, staying with family or friends, and in shelters. Other problems include domestic violence, child abuse, welfare dependency, and substance abuse. Although these problems existed before the occurrence of homelessness, the stress of homelessness experienced in a shelter or a temporarily housed situation clearly contributes to their problems.

Family Composition of Shelter Users



Source: Quarterly report on new clients served. Virginia Department of Housing and Community Development.

Homeless children are characterized by low birth weights, malnutrition, and poor physical development. Their social and emotional development tends to trail that of other children. Many experience learning difficulties and are inclined toward severe anxiety and depression. They are at risk for physical and emotional abuse from their parents, a risk which is particularly high during the stressful experience of homelessness. It remains to be seen whether these children will repeat the homelessness of their parents when they mature.

Without the supervision and supportive services they need, the homeless mentally ill may find themselves at risk of exploitation by others, including criminals, and health problems as a result of neglect. Because of behavior that may be perceived as bizarre and potentially dangerous, the homeless mentally ill are at particular risk of incarceration.

Causes of Homelessness

The emergence of homelessness as a major social problem represents the confluence of several significant developments during the 1980s. These developments include but are not limited to real estate inflation, loss of affordable housing to commercial development and gentrification, decreases in earned income, erosion of public benefits, failures of funding for our community-based mental health system, and more widespread substance abuse. Consideration of all of these casual factors is imperative in developing an effective response to the problem of homelessness and suggests that initiatives directed to only one set of factors, such as a lack of affordable housing, will not solve the problem.

History

Homelessness is not unique to the contemporary American experience. Hopper has traced the beginning of homelessness as we know it today to the end of the Civil War, when many veterans found it difficult to re-enter the workplace. Moreover, chronic unemployment among men developed as an outgrowth of the Industrial Revolution. Around the turn of the century, "skid rows" such as the Bowery in New York and Hobosville in Chicago came into being. During the Great Depression, unemployment became more widespread and began to affect families as well as single men. A review of the literature from the 1930s reveals that homelessness was most often a result of a continual search for work, similar to the experiences of today's migrant farm workers. Homelessness as a visible social problem abated during the relatively prosperous decades immediately following World War II and very little was said about it in the press and popular literature.

Housing Costs

During the 1980s, the value of real estate began to escalate dramatically. Of particular relevance to low-income households were the increases in rents, since most low-income households rent housing rather than own it. According to data collected by the Virginia Commonwealth University Real Estate Center, the average cost of rents throughout the state increased by 36.7 percent between 1981 and 1990.

As inflating rental rates generally outpaced the average income of Virginians, many low-income households began to pay a higher percentage of their income for rent. The U.S. Department of Housing and Urban Development (HUD) has determined that 30 percent is an acceptable proportion of gross household income to spend for housing,

and a household paying a proportion greater than that percent may be defined as "rent burdened." A rent burdened household is at greater risk of failure to meet rent payments and subsequent eviction from or abandonment of their dwelling.

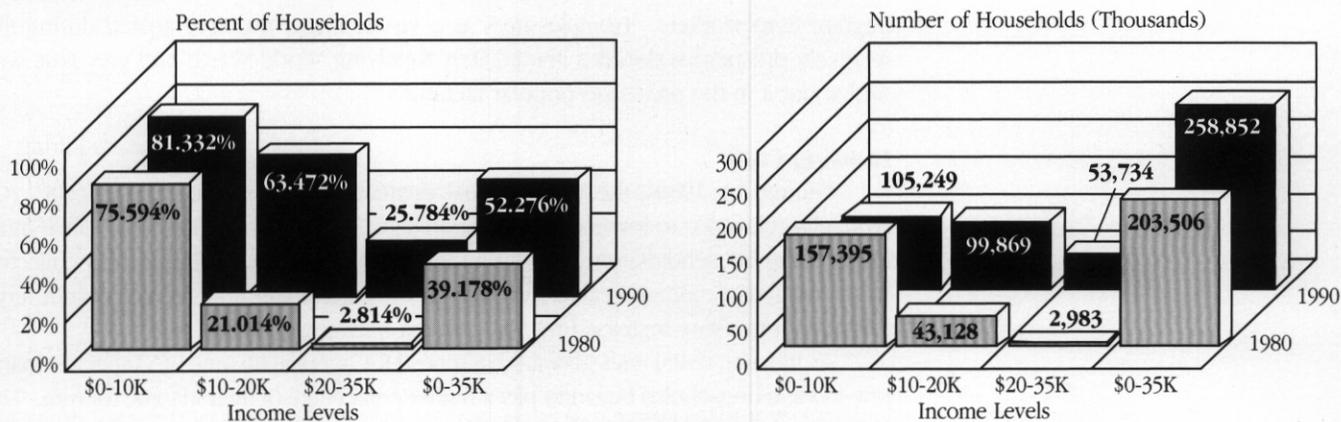
According to U.S. Census data, the number of rent burdened Virginia households increased from 203,506 in 1980 to 258,857 in 1990. In 1980, 39 percent of all Virginia households with an income under \$35,000 were rent burdened; in 1990, 52 percent of these households were rent burdened. The highest percentage increase (42 percent) occurred among households with an annual income of \$10,000 - \$20,000; the lowest percentage increase (five percent) occurred among those with an annual income of less than \$10,000. This data suggests that while the very poor remained rent burdened throughout the 1980s, affordable housing did not *become* a problem for the very poor during the decade that homelessness as we know it today became a significant social problem. Rather, lack of affordable housing was already a problem at the beginning of the decade.

Federal Housing Programs

Federally-assisted housing, sponsored by HUD, consists of two major components: public housing and Section 8 housing. Public housing, the more traditional form of federal housing, is constructed and maintained by the federal government through local housing authorities. The Section 8 Program contracts with owners of private housing that meets the building requirements of the Program. Administrators of public-assisted housing ensure that its residents do not pay more than 30 percent of their income for rent, and the rent charged is set at 30 percent of the tenant's income. The Section 8 Program provides a subsidy that pays for the difference between 30 percent of the tenant's income and the unit's "fair market rent" determined by HUD for each locality.

Of the 21,304 public housing units in Virginia, very few were constructed during the 1980s, and those that were created were built during the early 1980s. Much of HUD's appropriations was transferred from public housing to Section 8 housing during the late 1970s and the 1980s. Over 15,000 Section 8 units were added in Virginia during

Rent Burdened Households: 1980 - 1990



U.S. Census data provided by Dr. William J. Ernst III, Virginia Department of Housing and Community Development.

the 1980s, supplementing the 15,000 units that had been made available since 1976. However, very few of the existing public housing units have been vacated and some 29,000 Virginia households were on the state's long since closed waiting lists by the mid-1980s.

Thus, although the number of federal public-assisted housing units significantly increased during the 1980s, the increase in no way kept pace with the increase in need. Moreover, in addition to cutting allocations to federal housing programs by some 80 percent, the Reagan administration implemented policies—including the Tax Reform Act of 1986 and substantially decreased mortgage revenue bonding authority—which combined to make multifamily housing development all but unworkable.

Evictions

For those low-income persons outside of public-assisted housing, the rent burden increase appears to have affected their ability to stay in their homes. Eviction rates are not recorded in most Virginia localities, although court action is required for legal evictions. In Richmond, however, the Sheriff's Office has maintained a log of legal eviction orders since 1983. In 1983, 417 eviction orders were served; in 1990, over 1,000 eviction orders were served, an increase of 140 percent. The Sheriff's Office records do not include all evictions, since many evictions occur outside of the court.

Most evictions do not result in homelessness, but a significant number of homeless situations are precipitated by evictions. According to a recent study conducted among families entering shelters in New York City (Weitzman, et al, 1990), 43 percent of the families experiencing homelessness for the first time were primary tenants displaced by eviction. The Weitzman, et al, study of families entering shelters also revealed that 57 percent had come from a temporary housing situation. Of these families, 13 percent had been primary tenants before being temporarily housed, while 44 percent had never been primary tenants. Wallace and Bassuk (1991) suggest that a severe shortage of affordable housing, which they label a "housing famine," will over time cause an increasing number of temporarily housed people to experience homelessness. They base this prediction on the assumption that social support networks will become "congested" and therefore overwhelmed as more people come to rely on these networks when affordable housing is unavailable. If their propositions are true, homelessness among the very poor, who have been rent burdened since at least 1980, may continue to increase despite the leveling off of real estate inflation.

Affordable Housing Index

The current supply of low-income affordable housing can be measured by the use of 1990 U. S. Census data to determine the number of households in poverty and the number of rental units that are affordable to households in poverty (units requiring less than 30 percent of an annual income of \$8,240, i.e., \$206 per month). By dividing the number of households in poverty by affordable housing units, a "low-income affordable housing index" is derived. An index less than one indicates a shortage of low-income housing; an index of one or more suggests an adequate supply of low-income housing. An index of .21 in Fairfax City, for instance, suggests that only 21 percent of that locality's households in poverty can find affordable housing. Conversely, 79 percent of the households in poverty cannot find affordable housing in Fairfax City.

Unfortunately, the index does not indicate the condition of the housing. Much of it may be affordable but uninhabitable. However, it does suggest whether a community should pursue a strategy of rehabilitating current housing or creating new housing in its efforts to close the gap between its housing supply and persons in need.

A community with a high index should evaluate the condition of its existing low-income housing to determine the need for rehabilitation. A community with a low index should consider plans to build additional housing or to subsidize existing housing which is currently unaffordable for its low-income residents.

Loss of Housing

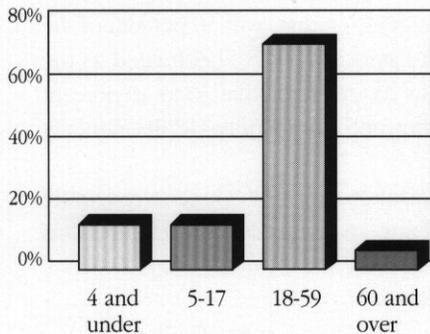
Based on anecdotal information and national trends, significant changes have occurred in the nature of housing stock available within the downtown regions of Virginia's cities. Many contained a "skid row" district characterized by old hotels converted to single room occupancy (SRO) units and older single-family houses converted to rooming houses, or both. The units in these districts, typically leased by the week, were usually home to single, low-skilled workers, many of whom were alcoholic. During the 1980s, housing in many of these districts was destroyed in the interest of urban renewal and commercial development, with a resulting severe shortage of housing options for single, low-income Virginians. Moreover, thousands of Virginia

1990 LOW-INCOME AFFORDABLE HOUSING INDEX

County				City			
Accomack	0.68	Goochland	0.58	Prince William	0.66	Falls Church City	0.48
Albemarle	0.49	Grayson	0.60	Pulaski	0.94	Franklin City	1.00
Alleghany	1.01	Greene	0.42	Rappahannock	0.52	Fredericksburg City	0.72
Amelia	0.69	Greensville	0.79	Richmond	0.56	Galax City	1.01
Amherst	0.68	Halifax	0.69	Roanoke	0.65	Hampton City	0.52
Appomattox	0.68	Hanover	0.56	Rockbridge	0.71	Harrisonburg City	0.56
Arlington	0.32	Henrico	0.50	Rockingham	0.76	Hopewell City	0.99
Augusta	0.84	Henry	0.87	Russell	0.52	Lexington City	0.69
Bath	0.80	Highland	0.72	Scott	0.58	Lynchburg City	0.95
Bedford	0.58	Isle of Wight	0.65	Shenandoah	0.68	Manassas City	0.26
Bland	0.60	James City	0.45	Smyth	0.86	Manassas Park City	0.74
Botetourt	0.80	King and Queen	0.48	Southampton	1.03	Martinsville City	0.86
Brunswick	0.69	King George	0.77	Spotsylvania	0.49	Newport News City	0.81
Buchanan	0.54	King William	0.81	Stafford	0.48	Norfolk City	0.52
Buckingham	0.63	Lancaster	0.49	Surry	0.68	Norton City	0.74
Campbell	0.64	Lee	0.58	Sussex	0.88	Petersburg City	0.99
Caroline	0.56	Loudoun	0.79	Tazewell	0.67	Poquoson City	0.32
Carroll	0.55	Louisa	0.52	Warren	0.74	Portsmouth	0.58
Charles City	0.38	Lunenburg	0.69	Washington	0.67	Radford City	0.35
Charlotte	0.57	Madison	0.53	Westmoreland	0.64	Richmond City	0.70
Chesterfield	0.73	Mathews	0.52	Wise	0.70	Roanoke City	0.77
Clarke	0.82	Mecklenburg	1.00	Wythe	0.70	Salem City	0.59
Craig	0.82	Middlesex	0.56	York	1.74	South Boston City	1.28
Culpeper	0.64	Montgomery	0.36	Alexandria City	0.53	Staunton City	0.85
Cumberland	0.49	Nelson	0.65	Bedford City	1.17	Suffolk City	Missing
Dickenson	0.70	New Kent	0.65	Bristol City	0.74	Virginia Beach City	0.49
Dinwiddie	0.52	Northampton	0.92	Buena Vista City	1.03	Waynesboro City	0.85
Essex	0.52	Northumberland	0.50	Charlottesville City	0.36	Williamsburg City	0.39
Fairfax	0.52	Nottoway	0.82	Chesapeake City	0.57	Winchester City	0.64
Fauquier	1.22	Orange	0.70	Clifton Forge City	1.56		
Floyd	0.48	Page	0.74	Colonial Heights City	.38	Totals	0.65
Fluvania	0.55	Patrick	0.70	Covington City	1.30		
Franklin	0.72	Pittsylvania	0.85	Danville City	1.27		
Frederick	0.62	Powhatan	0.59	Emporia City	1.07		
Giles	0.90	Prince Edward	0.63	Fairfax City	0.21		
Gloucester	0.38	Prince George	2.45				

1990 U.S. Census data produced by Dr. C. Theodore Koebel, Virginia Center for Housing Research.

Virginia Shelter Client Characteristics by Age



Source: Quarterly report of SHARE-funded shelters, Virginia Department of Housing and Community Development.

households were displaced during the same decade as their low-income rental units were redeveloped or rehabilitated with subsequent rent increases required to offset developers' property improvement-related expenditures.

Income

Real estate inflation alone does not explain the increased rent burden experienced by Virginia households during the past decade. During that time, few Virginians realized income gains of 36 percent or more to keep pace with the same rate of increase in rents. In fact, assuming that Virginia mirrored national trends during the past decade, workers experienced approximately a four percent inflation-adjusted *decrease* in earnings from 1980 - 1988 (Current Labor Statistics: Employment Data, *Monthly Labor Review*, January 1990, Tables 20 and 21 in Burt, 1992, pp. 76-77). Some of this loss occurred as workers moved from goods-producing jobs to generally lower paying service-producing jobs. Other labor market factors, such as technological changes and baby-boomer demographics, influenced this decrease.

Families receiving financial assistance under the federal Aid to Dependent Children (ADC or "welfare") program have undoubtedly lost ground as *benefit levels have remained the same since 1985*. Current ADC payments are \$291 per month for a single adult, and those recipients unable to obtain public-assisted housing or who have lost their public-assisted housing since 1985 find that they can now afford far fewer rental units with their ADC benefits, leaving them with very few options other than temporary housing or residency in a shelter for the homeless.

Supplemental Security Income (SSI), another "safety net" program funded by the federal government, provides income to the permanently disabled or very low income elderly residents. The payment level is indexed to the poverty level as established by the U. S. Census Bureau, so the value of these payments has not eroded during the 1980s. Current SSI payments are \$407 per month for a single adult.

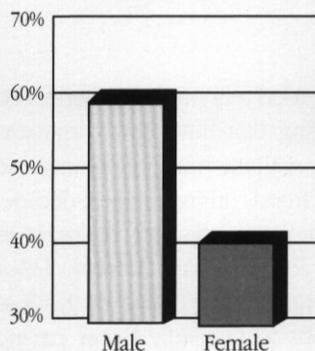
General Relief—a program initiated at the option of individual states—is designed to assist the single temporarily disabled person. Payments in Virginia have remained low (\$142 median per month) and localities are not mandated to offer the assistance, which requires local funds to match the state's. Most localities do not offer the program. Others have recently sought to reduce payments by cutting their local contribution. While General Relief has never been an effective emergency assistance program, its reduction or elimination may increase the risk of homelessness among single males in particular.

Mental Illness

In response to national trends, the Virginia General Assembly in 1968 began the process of deinstitutionalization, in which the Commonwealth's institutional-based mental health system was transformed into a community-based system administered by some forty local Community Services Boards (CSBs). The discharge of residents from such mental health institutions as Central State, Western State, and Eastern State hospitals began in 1972 and continued on a large scale for the next five years.

Soon after the discharge process was completed in the late 1970s, weaknesses in the community-based mental health system became apparent. Many of the mentally ill were discharged to homes for adults, a domiciliary care setting designed to serve primarily elderly individuals, because such facilities were able to provide the medication supervision often required for the mentally ill. A 1988 Virginia Joint Legislative Audit and Review Commission (JLARC) study estimated 5,190 mentally ill persons housed in

Virginia Shelter Client Gender



Source: Quarterly report of SHARE-funded shelters, Virginia Department of Housing and Community Development.

homes for adults, many of which were unprepared to meet the unique needs of the mentally ill.

During the 1980s the mentally ill were often identified as the major component of the homeless population, with some estimates suggesting that over 50 percent of the homeless were mentally ill. Deinstitutionalization has occasionally been cited as the major cause of homelessness. More careful analysis has revealed that 30 to 40 percent — a significant part of the homeless population but not the majority — are mentally ill.

In response to concerns about deinstitutionalization, the 1986 General Assembly commissioned JLARC to complete a study of the issue. Among the recommendations cited by JLARC were:

- improvements to the discharge planning process
- improvements to services offered by homes for adults to the mentally ill
- improved linkage between clients and community services
- more provision of supportive services by CSBs
- the development of a plan for adequate housing of the mentally disabled.

Substance Abuse

National estimates place the number of homeless persons with alcohol abuse problems at a median range of 30 to 35 percent (Burt, p. 111). The use of illegal drugs appears to be slightly less prevalent, although this problem seems to have increased dramatically during the past few years. People with long term addictions to alcohol, illegal drugs, or both are at high risk of experiencing homelessness because of the often irreparable damage caused to their support systems by their addiction. The substance abuser is at additional risk of being “on the street” because shelters generally prohibit the consumption of alcohol and use of illegal drugs in order to discourage the behavior and to protect others.

Also included in the homeless population are the dually diagnosed, also called mentally ill chemically abusing (MICA) adults, who often have a history of misdiagnosis or poor psychiatric treatment, or none at all. They may use alcohol or drugs to “self-medicate,” that is, manage the symptoms of the mental illness through mood altering chemicals. The MICAs are very hard to reach and difficult to treat. Most substance abuse treatment program administrators are unwilling and unable to incorporate this group into their programs, and the mental health treatment programs are not equipped to address substance abuse problems. Thus, MICAs often “fall through the cracks,” despite a primary diagnosis of mental illness and treatment which should be provided via the mental health system together with a continuum of substance abuse treatment.

To compound problems faced by homeless substance abusers, the only alternative for police in many localities who are charged with enforcing laws prohibiting public drunkenness is to place the homeless substance abuser in jail. Law enforcement officials and substance abuse counselors generally agree that incarcerating the homeless substance abuser is an ineffective and excessively expensive response, particularly in light of jail overcrowding and a high rate of recidivism.

Five communities in Virginia (Alexandria, Virginia Beach, Newport News, Charlottesville, and Winchester) have successfully developed an alternative, a Public Inebriate Center (PIC) funded by grants from the Department of Criminal Justice. The PICs allow the inebriate to sober up, and are most effective when operated in conjunction with a detoxification and treatment facility.

Recommendations

In 1993, the Virginia Housing Study Commission will study the desirability and feasibility of recommending for implementation a number of potential solutions to homelessness in Virginia identified in the course of researching and drafting this report. These potential solutions may include but are not limited to the following:

Data and Policy

- Conduct an annual one-day count of SHARE-funded shelters and religious organization-sponsored shelters in the summer and the winter to determine more precisely the number of homeless persons in Virginia.
- Conduct research on the number of persons doubled-up to determine more precisely the number of persons at high risk of homelessness.
- Ensure excellent coordination among Virginia state agencies that serve the homeless and those at risk of homelessness.
- Review the overlapping systems serving Virginians with mental disabilities to ensure excellent coordination, accountability, and discharge procedures.
- Review the eviction and appeal bond laws as codified by the Commonwealth of Virginia.
- Review state land use, zoning, and building code enabling legislation to ensure that localities have adequate authority to develop housing programs for the homeless.
- Review the processing time frame (currently up to 45 days, depending on the program) and eligibility requirements for state assistance benefits to ensure expeditious delivery of such benefits.
- Review admission policies to and within public school systems to ensure the education of homeless children continues uninterrupted.
- Review taxation and zoning laws pursuant to SROs.
- Review the transitioning of emancipated foster children into permanent housing.

Programs

- Seek to ensure adequate affordable housing, including emergency shelter, transitional housing, congregate housing, and permanent housing together with coordinated support services and a chemical/alcohol treatment continuum for Virginians who are homeless or at risk of homelessness.
- Seek to ensure medical infirmaries for displaced persons who are ill and need recuperative rest and care, including persons with AIDS.
- Seek to prevent homelessness resulting from evictions and foreclosures, combining financial assistance, legal and financial counsel, and protections provided under the federal Americans With Disabilities Act.
- Review Virginia Coalition for the Homeless recommendations pursuant to the following: 1) an earned income tax credit program for households in which at least one member is a wage-earner, and 2) a circuit breaker property tax relief program for income-targeted households whose property taxes exceed a designated amount.

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Acknowledgements

The issue paper on Homelessness in Virginia was prepared for the Virginia Housing Study Commission by Stephen R. Poulin, a student in the Virginia Commonwealth University School of Social Work and Social Policy doctoral program. From 1986-1991, Mr. Poulin served as Executive Director of Emergency Shelter, Inc., which provides shelter for sixty homeless men, women, and children in the Richmond area. Prior to his association with the Virginia Department of Social Services from 1980-1986, he was a VISTA volunteer in Richmond's Bainbridge neighborhood. Mr. Poulin is a founding member of SRO Housing, Inc., of Richmond and the Greater Richmond Coalition for the Homeless. In addition, he is a co-author of "Specific Recommendations Towards Helping Homeless People in the Richmond Area," prepared under the auspices of the Richmond Better Housing Coalition.

The following persons generously contributed to the development of this report: Robert J. Adams, Deputy Director, Virginia Department of Housing and Community Development; Sue M. Capers, Coordinator, Virginia Coalition for the Homeless; Sheila Crowley, former Executive Director, The Daily Planet; William J. Ernst III, Policy Analyst, Virginia Department of Housing and Community Development; Richard C. Gentry, Executive Director, Richmond Redevelopment and Housing Authority; Jeanine Harper, former Program Services Director, Emergency Shelter, Inc.; C. Theodore Koebel, Director, Virginia Center for Housing Research; Frances Kenney, Economist, U.S. Department of Housing and Urban Development, Richmond Office; and Samuel H. Shull, Housing Coordinator, Virginia Department of Mental Health, Mental Retardation, and Substance Abuse Services.

AFFORDABLE HOUSING FINANCE

INVESTING PUBLIC MONIES TO SUPPORT COMMUNITY REINVESTMENT

Increasing numbers of homeless persons, vacant buildings, and the visible deterioration of disinvested neighborhoods are indicators of the effects of capital flight from low-income areas. The lack of access to capital in such areas, resulting from both reductions in governmental financial assistance and a reluctance on the part of most business and financial institutions to invest therein, has significantly limited economic development and the creation of affordable housing opportunities in rural and urban enclaves.

In 1977, in response to documented concerns over "redlining" — a practice in which some financial institutions literally drew red lines on community maps and refused to lend capital in those areas — the U. S. Congress passed the Community Reinvestment Act (CRA). As a result of extensive public hearing testimony detailing how some institutions used the deposits of poor inner-city residents to make loans to middle and upper income residents while denying loans to the low income urban residents, Congress initiated the CRA to encourage more private sector involvement in government efforts to rebuild deteriorating inner-city neighborhoods.

The CRA directs the four federal agencies with supervisory authority over deposit lenders (Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision) to consider a lender's record of serving local credit needs in their decisions to grant or deny the expansion plans of depository institutions. Inadequate CRA performance evaluation is sufficient grounds to deny an expansion request.

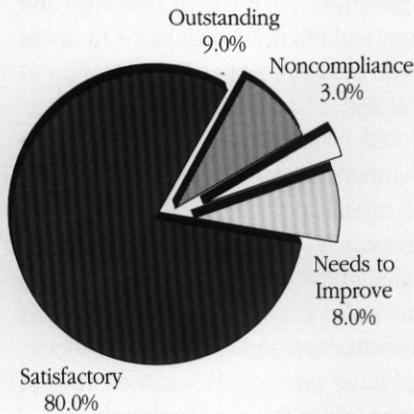
During the 1980s, however, community groups charged that federal regulatory agencies were lax in their CRA examinations of financial institutions, citing as evidence that as of 1988, only eight of 50,000 applications seeking regulatory approval to merge, acquire, or expand were rejected on CRA grounds. As a result of this statistic and others like it cited in testimony prior to enacting legislation to resolve the thrift crisis, Congress expanded the CRA under the 1989 Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) to require public disclosure of CRA performance evaluation results.

The revised CRA requirements state that "the appropriate Federal depository institution's regulatory agency shall prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods." The written evaluation includes one of the four following CRA ratings for each institution:

- Outstanding record of meeting community credit needs.
An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low and moderate income neighborhoods, in a manner consistent with its resources and capabilities.
- Satisfactory record of meeting community credit needs.
An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low and moderate income neighborhoods.

CRA Performance Evaluation Results

National Data on Depository
Financial Institutions



- Needs to improve record of meeting community credit needs.
An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its delineated community.
- Substantial noncompliance in meeting community credit needs.
An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its delineated community.

The CRA performance evaluation, to be provided to the public and posted in the lobby of each institution, takes into account its financial capacity and size, legal impediments, and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. The performance evaluation includes not only the CRA rating, but also a narrative of the review from which the rating was derived. The institution's performance is evaluated and reviewed within five categories, as follows:

- Ascertainment of community credit needs
- Marketing and types of credit offered and extended
- Geographic distribution and record of opening and closing branches
- Discrimination and other illegal credit practices
- Community development.

The CRA evaluation results, since FIRREA was enacted, indicate that just one in ten U. S. financial institutions perform at less than "satisfactory" in serving the needs of communities in which they operate. An analysis of the nearly 7,000 examinations completed since July 1990 shows 89 percent of banks and thrifts rate satisfactory or outstanding, while 11 percent are not in compliance or need to improve. In Virginia, 106 of the 114 banks (93 percent) examined from July 1990 to March 1992 were found to be satisfactory or outstanding in community reinvestment performance.

Community reinvestment by financial institutions is a significant private sector contribution to the general welfare of the Commonwealth and its localities. Because such reinvestment — including lower loan interest rates and less stringent underwriting requirements for low-income borrowers — reduces the need and demand for public money and assistance in low income areas, it is to be commended and encouraged. Therefore, the Virginia Housing Study Commission recommends adding to Title 2.1 of the Code of Virginia a new section that would require departments, authorities, and other entities of state government that invest public monies in depository financial institutions to utilize institutions that, if rated, have received CRA performance evaluation ratings of satisfactory or outstanding. Authorities of the Commonwealth include the following:

- Small Business Financing Authority
- State Education Assistance Authority
- Virginia Agriculture Development Authority
- Virginia College Building Authority
- Virginia Education Loan Authority
- Virginia Housing Development Authority
- Virginia Innovative Technology Authority

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- Virginia Port Authority
 - Virginia Public Building Authority
 - Virginia Public School Authority
 - Virginia Resources Authority
 - Virginia Student Assistance Authorities
 - Virginia Eye and Ear Hospital Authority.

The Commission also encourages local governments to follow the example of the Commonwealth in investing public funds in financial institutions which, if rated, have received CRA performance evaluation ratings of satisfactory or outstanding.

PROVIDING SAFE DRINKING WATER FOR VIRGINIA RESIDENTS

Public health concerns about safe drinking water led to the 1964 passage of legislation by the Virginia General Assembly to regulate public water supplies. Such legislation has been expanded and amended to address new water safety concerns and to comply with provisions of federal law, including the Safe Drinking Water Act and the National Primary Drinking Water Regulations. The key purpose of both the state and the federal law is to ensure that public water systems provide water that is safe for human consumption.

Current state law specifies that the Virginia Board of Health has general supervision and control "over all water supplies and waterworks in the Commonwealth insofar as the bacteriological, chemical, radiological and physical quality of waters furnished for drinking or domestic use may affect public health and welfare..." (Code of Virginia, Section 32.1-169). Accordingly, the Board of Health is directed to adopt regulations governing waterworks and water supplies of Virginia and to establish procedures and criteria for providing safe water.

State legislation and regulations governing public water supplies define "waterworks" as a system that serves piped water for drinking or domestic use to the public and serves at least 15 connections or an average of 25 individuals. Waterworks systems that do not meet this definition are exempt from compliance requirements of state public water system law and regulation. Virginia Health Department engineers have indicated that the minimum 15 connections or 25 individuals are arbitrary numbers, but that a cut-off point was established to avoid state monitoring of such water supplies as those serving individual residences, private family compounds, and small communes. A recent Department of Housing and Community Development review of public water supply legislation of several southern and mid-Atlantic states indicates that Virginia's sister states — Maryland, North Carolina, and West Virginia — also have established a 15 connection or 25 individuals served minimum for "public" water systems covered by state requirements.

Several other states, including South Carolina and Washington, have established significantly broader coverage of water supply systems under their state safe drinking water requirements. South Carolina legislation specifies that a public water supply is "any publicly or privately owned waterworks system which provides drinking water, whether bottled or piped, for human consumption... provided, that the public water system shall not include a drinking water system serving a single private residence or

dwelling" (Section 44-55-10 of the Code of Laws of South Carolina). Washington defines a public water system as "any system, excluding a system serving only one single-family residence and a system with four or fewer connections all of which serve residences on the same farm, providing piped water for human consumption..." (Section 70.119A.02.0 of the revised Code of Washington). Spokespersons for both states indicated that numerous complaints regarding unsafe water as well as general health concerns led to the more comprehensive coverage of public water systems.

Virginia Health Department water supply engineers have indicated that rural apartment buildings and manufactured home parks frequently fall in and out of state public water regulation because of resident population changes. Some manufactured home parks have intentionally maintained their number of residents below 25 to avoid regulation.

During the past 18 to 24 months, an increasing number of manufactured home park residents have expressed concern to Virginia Water Project, Inc., in Roanoke, various Legal Services offices, and the Virginia Housing Study Commission about unsanitary drinking water. In one case, a sample taken from a Rockbridge County manufactured home park water supply in October 1990 contained contaminant levels indicating that residents were provided water that was unsafe to use, lacking any chlorination. Because the small water supply was not regulated by the state, the Virginia Department of Health had no legal authority to monitor or require correction and contaminant abatement of the water.

Currently, the Health Department monitors over 500 "small" waterworks systems that serve between 25 and 100 individuals, and a lower threshold criteria for coverage under state requirements could substantially increase the Department's monitoring efforts and costs. Moreover, passing along expenses related to extensive testing of water could increase the cost of the tested water to prohibitively high rates to be borne by the consumers.

Clearly, a reasonable balance must be struck between the extent of testing and the threshold criteria for Health Department monitoring on the one hand and the importance of safe, sanitary drinking water for rural Virginians on the other. The Virginia Housing Study Commission considered the possibility of recommending expanding Health Department monitoring of drinking water to all manufactured home parks that provide continual residential facilities. The Commission also considered reducing from 15 to ten the Manufactured Home Lot Rental Act trigger number that calls for Health Department monitoring of drinking water. In addition, the Commission considered expanding the state definition of "waterworks" as follows:

Waterworks means a system that serves piped water for drinking or domestic use to the public, excluding systems serving only one single-family residence or premises occupied solely by a landowner and members of his family or any system with four or fewer connections all of which serve residences on the same farm.

After considering such alternatives and others, the Commission referred the issue — together with the suggestion that alternative methods of conducting testing, perhaps privately, be reviewed — to the Virginia Water Commission for further study. A presentation was subsequently made to the Water Commission by the Executive Director of the Housing Study Commission, and the Water Commission has taken the issue under advisement.

TAXATION ISSUES

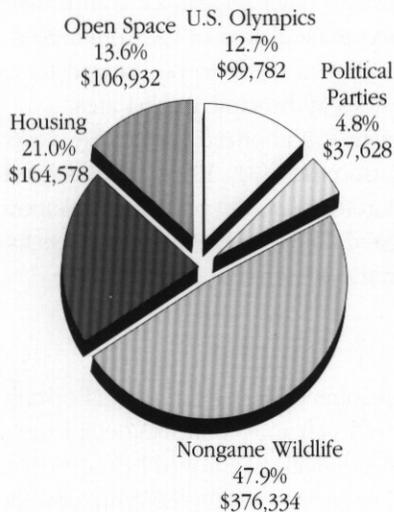
Neighborhood Assistance Act

The Virginia Neighborhood Assistance Act (NAA) has provided businesses with tax credits in exchange for private sector assistance or services to impoverished communities or persons since fiscal year 1982. The current ceiling on tax credits is \$5.25 million annually. During the first years of the program's operations, supply generally exceeded the demand for available tax credits. However, circumstances have changed as static or declining federal grant programs and the growing sophistication of potential tax credit users and service providers make the program more attractive. Now, the demand for credits exceeds their availability, and organizations that might once have anticipated assistance may be in a position of receiving fewer credits or no credits at all.

The Virginia Department of Social Services is currently the administering agency for the NAA Program. As competition for the available credits increases dramatically, there are growing concerns about the direction of the NAA program. Competition among various groups with the common goal of improving the circumstances of impoverished persons and areas may be useful—up to a point. However, this competition must be both fair and perceived as fair.

The Virginia Housing Study Commission requests that the Department of Social Services review its NAA program criteria, rules, and regulations; survey nonprofit program participants to determine the Department's NAA-related responsiveness to clients; and compile a roster of NAA projects funded to date, including a brief program description and allocation amount for each. The Department will provide the Commission with a report on its findings no later than June 30, 1993.

Dollar Amount of
Tax Refund Contributions
Taxable Year 1990



Tax Refund Check-Off for Affordable Housing

At the recommendation of the Virginia Housing Study Commission, the 1988 General Assembly enacted legislation allowing taxpayers to allocate all or a portion of their individual state income tax refunds to a housing assistance program through a direct check-off on the state tax return. The contributions are used "for assistance to emergency shelters for the homeless, or for housing for the elderly and the physically or mentally disabled." The program, administered by the Virginia Department of Housing and Community Development, is also designed to increase community awareness of housing problems and solutions, and to help build the delivery capacity of organizations not previously involved in low-income housing. Since the enactment of the legislation in 1988, approximately \$800,000 has been contributed to the Check-Off for Housing Program which is scheduled to sunset for all taxable years beginning after December 31, 1993.

The Virginia Housing Study Commission recommends legislation to extend for an additional five years the Check-Off for Housing Program as a taxpayer refund contribution option on the Virginia Individual Income Tax Return. The Commission also recommends that the housing industry and nonprofit organizations develop strategies to increase public awareness of the check-off option for taxpayers.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY LEGISLATION

Tax Credits for Rent Reductions

At the recommendation of the Virginia Housing Study Commission, the 1990 Virginia General Assembly authorized residential landlords to claim a state tax credit for rent reductions of at least 15 percent provided to low-income elderly or disabled tenants. Landlords are authorized to claim a tax credit for 50 percent of the amount by which they reduce rent below the level charged to other tenants for comparable units in the same property. In 1991, also at the recommendation of the Commission, the General Assembly expanded the program to allow a credit to be claimed for a reduction in rent below the level for comparable units in the same market area.

A total of \$1.0 million per year in tax credits is authorized for taxable years beginning on or after January 1, 1991, through December 31, 1993. The Virginia Housing Study Commission recommends legislation to delete the program expiration date of December 31, 1993. The annual authorized credit allocation would remain constant at \$1.0 million, and VHDA would remain the administering authority.

Insurance Issues

The Virginia Housing Study Commission recommends legislation authorizing VHDA to insure, self-insure, or pay for the liability of its commissioners and employees arising from the performance of their duties or other activities approved by the VHDA commissioners. Such proposed legislation would provide to VHDA the same powers as are granted to localities in Sections 15.1-7.3:1 and 15.1-19.2 of the Code of Virginia.

Wire Transfer, Liability Issues

The Virginia Housing Study Commission recommends legislation providing for the payment of VHDA funds by wire transfer or other means authorized by VHDA and to specify that no commissioner or employee of VHDA shall be liable for any investment loss in the absence of negligence, malfeasance, misfeasance, or nonfeasance. This proposed legislation would be consistent with Sections 2.1-226 and 2.1-329.1 of the Code of Virginia applicable to the State Treasurer and investment of public funds.

PLANNING AND ZONING FOR AFFORDABLE HOUSING

In 1991, the Virginia Housing Study Commission recommended amending key sections of Virginia's planning and zoning enabling statutes. The proposed amendments would clarify the responsibility of local governments to consider the housing needs of a region in their planning and regulating the use of land. In essence, the bill — House Bill 780 — requires that localities take a broader view of affordable housing needs including those of the region, and it encourages local plans and land use regulations that respond to those identified needs. The bill was referred to the House Committee on Counties, Cities and Towns which, at the request of the patron, voted to carry the bill over for further consideration during the 1993 Session.

In the interest of providing a firmer statutory basis for the creation and preservation of affordable housing, the Virginia Housing Study Commission reaffirms its support for House Bill 780 as an opportunity to begin to break down local exclusionary barriers by asserting the responsibility of localities to consider the current affordable housing needs of a more broadly defined community.

1993 LEGISLATIVE RESOLUTIONS

Federal Funding for Affordable Housing

Federal programs will provide over 74 percent of the funds for Department of Housing and Community Development affordable housing programs during fiscal year 1993. Federal allocations will provide 42 percent of the funding for these state housing efforts during fiscal year 1994. The Virginia Housing Study Commission recommends a legislative resolution during the 1993 General Assembly Session requesting that the Virginia Congressional delegation support current or increased levels of federal funding for affordable housing programs in Virginia.

Establishing Standards for Home Inspectors

In recent months, members from around the Commonwealth have expressed concern to the Home Builders Association of Virginia regarding activities of certain home inspectors. The major concern raised is the apparent lack of any uniform requirements or qualifications for those engaged in the home inspection business. Home inspectors purporting to give opinions regarding construction standards and structural integrity should have a thorough and complete understanding of residential construction practices and the Uniform Statewide Building Code. The Virginia Housing Study Commission therefore recommends a legislative resolution to be introduced during the 1993 General Assembly Session mandating the Department of Commerce to study the desirability and feasibility of licensing home inspectors.

VIRGINIA CONDOMINIUM ACT

SENATE JOINT RESOLUTION 204: VIRGINIA CONDOMINIUM ACT

Senate Joint Resolution 204, passed by the 1991 Virginia General Assembly, directed the Virginia Housing Study Commission to study the provisions of the Virginia Condominium Act as they relate to the operation and management of condominium unit owners associations. The Virginia Condominium Act was originally enacted in 1974 at the recommendation of the Commission.

In studying the codified provisions the Commission in 1991 held regional public hearings and solicited written comments on the issues. A Commission Subcommittee included broad representation and a geographic cross section of persons involved in condominium unit development, management, financing, operations, regulation, and governance.

The overall issue considered by the Commission was whether specific issues related to the operation and management of condominium unit owners associations should be legislated in detail or left, within parameters of public policy, to the drafter of documents for each individual condominium. Specific issues considered by the Commission were developed from legislation introduced in the 1990 and 1991 Sessions of the Virginia General Assembly, from testimony presented at the above referenced public hearings, and from written correspondence received by the Commission. Legislation to amend both the Condominium Act and the Property Owners' Association Act was introduced by the Commission during the 1992 Session of the Virginia General Assembly. A number of those measures were adopted and became effective July 1, 1992.

The Commission continued its SJR 204 study in 1992. The Condominium Act Subcommittee met five times and considered testimony offered in writing and at public hearings held by the Commission. A special public hearing was conducted exclusively for condominium issues in northern Virginia and two other special sessions of the Commission public hearings in Richmond and Norfolk were dedicated to condominium issues. The Commission in 1992 addressed issues it did not have an opportunity to address in the first year of the study, in particular, alternative dispute resolution and the association limited priority lien. Because of the relative complexity and specificity of the issues discussed at length by the Commission, this report will serve to highlight such issues as well as Commission recommendations pursuant to the same.

Operation and Management of Condominiums

Assessment Collection and Lien Priority

Condominium Act, Section 55-79.84A; Property Owners' Association Act Section 55-516.

Issue: Whether the association's lien for non-payment of assessments should have limited priority over a first deed of trust on a condominium unit or on a lot in a property owners association. The Uniform Condominium Act and the statutes of a number of other jurisdictions give an association lien priority in the amount of six months of unpaid assessments over the lien of a first deed of trust.



Alan Diamonstein with Commission member Jackie T. Stump.

Recommendation: In considering the issue of a limited priority lien for nonpayment of condominium and property owners association assessments, the Commission sought comment from the mortgage lending community, which will be affected by such a proposal. An extensive Commission survey of the lending community resulted in mixed reviews on the issue. However, VHDA, the Virginia Mortgage Bankers Association, the Virginia Bankers Association, and the Virginia League of Savings Institutions strongly oppose such measure. In view of the clearly divided opinion, the Commission will seek additional comment and review this developing area of the law. The limited priority lien is commonly perceived by associations as an essential tool in improving recovery of needed revenues.

Rules Enforcement

Condominium Act, Section 55-79.80C; Property Owners' Association Act, Section 55-515.

Issue: Whether the Condominium Act and Property Owners' Association Act should authorize associations to deny unit owners determined to have violated association rules and regulations voting rights or access to non-essential common facilities.

Recommendation: The Commission recommends legislation to expand the authority of a condominium and property owners association in its rule-making enforcement authority. This expansion would include the authority for the association to deny individual owners access to non-essential facilities and services offered by the association. Many associations currently have such authority by document provision.

Issue: Whether Board authority to adopt and enforce rules and regulations should be restricted (e.g., rules imposing unreasonable insurance requirements).

Recommendation: No legislation is necessary at this time. The Commission gave consideration to the possible discrimination effect of such requirements. The Fair Housing laws, however, apply to prevent such discrimination.

Issue: Whether the Condominium Act should provide for "grandfathering" conditions which exist at or prior to the adoption of a rule or regulation (e.g., removal of fixtures so as to affect exterior appearance of a unit).

Recommendation: No legislation is necessary at this time. While the Commission is cognizant of potential hardship resulting from rule adoption, it determined that the governance of a community association requires flexibility.

Access to Units

Condominium Act, Section 55-79.79(a).

Issue: Whether the provisions which permit the association access to an individual unit and require a unit owner to provide a key to the association are too broad.

Recommendation: No legislation is necessary at this time. The Commission recognizes the concern of individual unit owners regarding privacy and security. However, the needs of the majority, the association, in this instance are paramount and are tempered by notice and careful administration and management.

Unit Owner Involvement

Issue: Whether Board action to limit unit owner participation on committees and in other association affairs should be limited.

Recommendation: No legislation is necessary at this time. The Commission determined that this issue cannot be addressed universally in legislation.

Board of Directors

- Qualifications
Condominium Act, Section 55-79.78.

Issue: Whether the Condominium Act should specify qualifications for membership on the Board of Directors.

Recommendation: No legislation is necessary at this time. The Commission acknowledges that such qualifications are currently established in the governing documents.

- Term of Office
Condominium Act, Section 55-79.78.

Issue: Whether the Condominium Act should specify terms of office and other standards of conduct for members of the board of directors.

Recommendation: No legislation is necessary at this time. The Commission acknowledges that terms of office are established in the governing documents.

- Authority to Act
Condominium Act, Sections 55-79.53 and 55-79.38B.

Issue: Whether the Condominium Act should be amended to clarify what entity is authorized to act in the name of the association.

Recommendation: The Commission recommends legislation to correct a drafting oversight which may invalidate certain actions of a unit owners association under Section 55-79.80B.



Commission member Barbara J. Fried with Lieutenant Governor Don Beyer at the 1992 Conference on Housing.



Commission member
Stanley C. Walker.

Government Regulation

Dispute Resolution

Issue: Whether governmental involvement in the relationship between individual unit owners and the association board of directors is needed and appropriate.

Recommendation: Much testimony was offered at the public hearings and in written comment that a state regulatory program is appropriate for addressing issues which arise out of the relationship between owners and their associations. House Bill 471, introduced during the 1992 Session and carried over, indicated the need for expanded state involvement in the enforcement of the Condominium Act. A special task force created by the Commission Condominium Act Subcommittee met on two occasions to consider regulation and concluded that a comprehensive dispute resolution program within a state agency is neither appropriate nor feasible at present. However, the Commission recognizes a need for providing information and encouraging less expensive means for dispute resolution.

Thus, the Commission recommends legislation to facilitate alternative dispute resolution for community associations. The proposal has two primary components: (1) amend the Condominium Act and Property Owners' Association Act to give the draftsmen of association documents guidance to include in the bylaws for such associations alternative dispute resolution as a mechanism for resolving disputes; and, (2) offer legislation to create an alternative dispute resolution information clearinghouse. The Virginia Real Estate Board would be designated as the entity responsible for offering such information and general guidance to members of the public by referring them to existing alternative dispute resolution programs.

Central Records

Issue: Whether an authority or state agency should be established for the purpose of maintaining a central record of information concerning community associations.

Recommendation: The Commission proposes a new requirement that both condominium and property owners associations prepare an annual report and file it with the Virginia Real Estate Board. The Board would be entitled to charge a minimal fee, similar to the annual report fee charged by the State Corporation Commission for an annual report filing. Property owners associations, predominantly nonstock corporations in Virginia, would be entitled to comply with the requirement by filing a copy of their State Corporation Commission annual report with the Virginia Real Estate Board together with the appropriate fee.

This proposal incorporates concepts of House Bill 697 introduced by Delegate Julia A. Connally during the 1992 Session, which bill recommended the creation of a business agent registration. Although the Commission recommendation is somewhat different, the result is basically the same, providing for a central resource of information concerning associations.

Commercial Condominiums

Issue: Application of the resale disclosure requirements of Section 55-79.97 of the Condominium Act to commercial condominiums.

Recommendation: Amend the Condominium Act to require the delivery of a resale certificate upon sale of a unit in a condominium restricted to commercial use.



Commission member James F. Almand.

Declarant Issues

Assessments

Condominium Act, Section 55-79.83(c1).

Issue: Whether the Condominium Act should be amended to clarify when the Declarant's obligation to pay assessments commences.

Recommendation: No legislation is necessary to clarify when the Declarant's assessment obligation commences. However, the Commission recommends legislation to expand the provisions of the condominium assessment bond to provide that the bond must remain in force and effect until such time as the Declarant owns fewer than ten percent of the units in the condominium or is current in payment of assessments.

Declarant Control

Condominium Act, Section 55-79.74.

Issue: Whether further limitations should be placed on the Declarant's control of the unit owners' association.

Recommendation: No legislation is necessary at this time. The Commission determined that this issue cannot be addressed universally in legislation.

Successor Declarant Rights

Condominium Act, Sections 55-79.41 and 55-79.74:3.

Issue: Whether the Condominium Act definition of successor declarant should be revised to include the transfer of a block of units from a Declarant to a Declarant-related entity.

Recommendation: The Commission recommends clarification relating to the successor declarant provisions of the Condominium Act. The recommended changes clarify that a lender will be responsible for making application for registration prior to conveying units acquired in foreclosure.

Management Issues

Governmental Regulation

Issue: Governmental regulation of community association managers and management companies through a licensing or certification program administered by a state agency.

Recommendation: The Commission proposes introduction of a resolution mandating the study of the need for licensing or otherwise regulating condominium management firms. The Virginia Department of Commerce has indicated a willingness to conduct that study, if the study resolution is adopted during the 1993 Session of the Virginia General Assembly.

Simultaneous Board/Management Service

Issue: Whether the Condominium Act and Property Owners' Association Act should be amended to provide that no member of the board of directors may simultaneously manage or be an employee of the management company for the condominium for which he serves on the board of directors.

Recommendation: No legislation is necessary at this time. The Commission recognizes that while a potential conflict of interest may exist in such situation, association

governing documents as well as Virginia corporate law and statutes address such potential conflict and provide a remedy for the same.

Drafting Issues

Issue: Consistency and simplification of language, time periods, and disclosure requirements in all of the Virginia laws regulating common interest ownership communities.

Recommendation: No legislation is necessary at this time. However, the Commission will monitor this developing area of the law to maintain Virginia's preeminence in such legislation.

Board of Directors

Repairs and Replacement

Issue: Whether the Condominium Act should be amended to add definitions for "capital repair and replacement." Concern has been expressed that boards of directors take action to "repair" with materials of different and better quality, exceeding authority generally established for making repairs to avoid spending limitations established by documents.

Recommendation: No legislation is necessary at this time. The Commission determined that this issue cannot be addressed universally in legislation. Further, individual association documents may already define such terms, leading to a potential for conflict between new statutory language and previously adopted language found in governing documents.

Responsibility and Accountability

Issue: Whether the Condominium Act should be amended to add new provisions which require an association to be held accountable in a number of areas of responsibility, as follows:

- All records, books, documents of any kind including automated and manual processes of any kind must be available for review and examination by any unit owner during regular business hours.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that such issue already is adequately addressed under Sections 55-79.74 and 55-79.75 of the Condominium Act and Section 55-510 of the Property Owners' Association Act.

- Association records must be maintained and kept current at the association office on the premises, within the Commonwealth of Virginia.
- All funds, including all financial instruments, bonds, bills, notes, certificates of deposit must be deposited in financial institutions within the Commonwealth of Virginia and identified by the name of the association.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that any such requirements on the office of the managing agent would be unduly restrictive and, in addition, may pose constitutional queries as to potential restraint on trade.

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- All disbursements of funds will be made from association accounts without any intermediate parties being involved.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that such requirement would be unduly restrictive and, further, that it is in the best financial interest of the association to provide for ongoing financial flexibility.

- Failure to comply with any of the provisions above would be subject to a fine of one thousand dollars for each separate infraction. Any such penalty will be paid from personal funds and not from association funds.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that adequate civil remedies currently exist under association governing documents as well as Virginia law and statutes. Further, the Commission does not believe that criminal sanctions would achieve the desired results of those proposing the same.

- Any infraction can be charged by a single owner in a court of law against another owner, a member or members of the board of directors, the managing company or its agents and any employee of the association. All legal fees and associated expenses of the owner bringing the charges would also be paid for by the respondent.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that adequate civil remedies currently exist under association governing documents and, further, that payment of legal fees is a contractual issue established under such documents.

Criminal Acts

Issue: Whether the Property Owners' Association Act should be amended to provide that violations of certain sections constitute a misdemeanor which may be prosecuted by the local Commonwealth Attorney.

Recommendation: No legislation is necessary at this time. The Commission considered current Condominium Act provisions which identify certain acts as criminal acts. Such provisions relate to violations pursuant to the offering and sale of condominiums. By comparison, the Property Owners' Association Act does not primarily apply to the offering and sale of lots by a developer and criminal sanctions apply more directly to the actions or inactions of a developer than to volunteer board member homeowners. Further, the Commission recognizes that current Virginia criminal statutes potentially address actions about which complaints have been tendered.

Elections

Issue: Whether the Condominium Act should be amended to establish board of directors election and office term limitations, as follows:

- The number of successive terms that may be served by any person on the board shall be limited to two.
- If more than one slot is vacant in an election for board members, any unit owner may cast all of his/her votes for any one candidate, or for any combination of the candidates.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that such issues are best addressed in association governing documents.

- All undesignated proxy votes received by one or more members of the board, in any election for the board, shall be distributed among the candidates in the same proportions as the direct votes that were cast for these candidates by the unit owners.

Recommendation: The Commission recommends amending the Condominium Act to provide that an uninstructed proxy should include a brief explanation of the effect of leaving the proxy uninstructed.

- After an election of board members, the board shall reveal to all unit owners the number of direct votes, as well as the number of designated and undesignated proxy votes received by each of the candidates.

Recommendation: No legislation is necessary at this time. The Commission is of the opinion that flexibility is of importance in determining whether to report a precise vote.

- In the event that an interim appointment to the board is required, because of the death or resignation of a board member, the board shall appoint a replacement from those candidates not elected in the last election for the board, but who received at least five percent of the total vote cast. If no such candidate exists the board shall vote among themselves to select from the unit owners an interim member of the board to serve until the next regular board election.

Recommendation: The Commission recommends amending the Condominium Act to provide that a Board appointee filling a vacancy serves until the next annual meeting of the association. At that next annual meeting, the association members would then be entitled to elect an individual to fill that vacancy for the balance of the remaining term of office.



Alan Diamonstein with Attorney General Mary Sue Terry at the 1992 Conference on Housing.

Meetings

Issue: Whether the “open meeting” requirements contained now in both the Virginia Condominium Act and the Virginia Property Owners’ Association Act apply to meetings of the executive organ held for the purposes of conducting an administrative hearing pursuant to Section 55-79.80C of the Condominium Act or Section 55-513 of the Property Owners’ Association Act.

Issue: Whether a board of directors under the same “open meeting” requirements may conduct closed “work session meetings,” in addition to the regular meetings, if no decisions are made at those work sessions and no votes taken.

Issue: In the recent Virginia Supreme Court case *Grillo v. Montebello Condominium Unit Owners Association*, the Court said owners have a right to inspect employee salary records, but the Court was interpreting the statute in effect at the time suit was filed in 1989. Since then, the General Assembly has passed amendments to the Condominium Act and Property Owners’ Association Act stating that books and records kept by an Association may be withheld from inspection if the documents pertain to “personnel matters.”

Recommendation: No legislation is necessary at this time. The Commission determined that the issues are adequately addressed under legislation it recommended which was subsequently passed by the 1992 Virginia General Assembly.

Association Liability

Issue: In the aftermath of the *Hiet v. Lake Barcroft Community Association* decision by the Virginia Supreme Court, which followed the general rule of invalidating a release in a personal injury case, many community associations are re-evaluating the activities they sponsor or permit on the land they own. Prior to the *Lake Barcroft* decision, boards of some community associations conditioned their approval of certain activities on their land upon a requirement that all participants execute release agreements prior



Alan Diamonstein with Commission Executive Director Nancy M. Ambler and former Commission member Delegate James M. Scott.

to participation in the event. The present concern is that many activities will now have to be cancelled because of the potential exposure. Some community associations would like to see the *Lake Barcroft* decision modified by the General Assembly. One common suggestion is to amend the recreational facilities exculpation of liability statute to clarify its applicability to community associations.

Recommendation: The Commission is of the opinion that the complexity of issues involved as they relate to tort liability exceed the scope of its study.

Occupancy Restrictions

Issue: Many associations express concern about local government regulations restricting the number of occupants of a dwelling. Such occupancy restrictions are currently under study by national trade associations. Associations raise the question of the need for legislation in Virginia.

Recommendation: The Commission determined that, given that a study of the issue is currently in process by an industry trade association, it will await the study report and further monitor the issue.

Common Area Real Estate Tax Assessments

Issue: Property owners associations have experienced problems where the developer conveys common area with real estate taxes unpaid to an association after January 1, when the tax liability is determined by local jurisdictions. Section 58.1-3284.1 of the Virginia Code currently provides that an association will not be taxed for the common area which it owns. However, if the property is not owned by the association on January 1, and the developer does not pay the real estate taxes, associations are being charged for the entire year of taxes.

Recommendation: The Commission recommends amending tax provisions of the Virginia Code to provide that the common area is assessed only for that period during which the developer owns the property.

Applicability of the Virginia Property Owners' Association Act

Issue: Whether the Property Owners' Association Act should be amended to expand application of that statute to all property owners associations in Virginia, regardless of the amount each lot is assessed each year.

Recommendation: No legislation is necessary at this time. The Commission will continue to monitor this issue.

Termination of Condominiums

Issue: Practitioners dealing with termination provisions of the Condominium Act have found that it leaves little flexibility in those instances where the condominium is terminated for reasons other than destruction of the property.

Recommendation: The Commission recommends legislation to provide that the termination sections of the Virginia Condominium Act (Sections 55-79.71, 55-79.72, and 55-79.72:1) are consistent with those of the Uniform Condominium Act.

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SJR 204: Virginia Condominium Act

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Printed on recycled paper.

Photography: Taylor Dabney