Virginia Housing Study Commission

1988 Annual Report To The Governor and The General Assembly of Virginia

VIRGINIA HOUSING STUDY COMMISSION

General Assembly of Virginia

The Honorable Alan A. Diamonstein, Chairman
Virginia House of Delegates
94th Legislative District

The Honorable Clive L. DuVal 2d
Virginia State Senate
32nd Legislative District

The Honorable Daniel W. Bird, Jr.
Virginia State Senate
38th Legislative District

The Honorable Stanley C. Walker
Virginia State Senate
6th Legislative District

The Honorable John G. Dicks, III
Virginia House of Delegates
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Introduction

The Housing Study Commission: A Brief History

The Virginia Housing Study Commission was established by Act of Assembly during the 1970 Session of the Virginia General Assembly. The Commission is directed 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 is further directed "to examine all relevant provisions" of Virginia laws to determine if such laws "are adequate to meet the present and future housing needs of all income levels" in the Commonwealth, and to recommend such changes in relevant laws as it deems appropriate.

From 1971 - 1982, the Commission introduced legislation designed to advance its goal of providing a safe, decent, affordable home for every Virginian. Legislation recommended by the Commission and subsequently enacted by the General Assembly during that time period includes:

- 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 Condominium Act
- The Virginia Real Estate Cooperative Act.

From 1982 - 1986 the Commission was dormant. In 1987, in recognition of the increasing housing needs facing the Commonwealth, the Commission was reactivated by the Virginia General Assembly. The Honorable Alan A. Diamonstein, Chairman of the Housing Study Commission since 1971, was re-elected Chairman of the newly-reactivated Commission.

Last year, the Commission made the following major recommendations, which were subsequently accepted.

- The establishment of the $47.5 million Virginia Housing Partnership Fund
- The establishment of the Virginia Housing Foundation
- The establishment of a Virginia income tax check-off provision to assist persons with special housing needs
- The convening of the first Governor's Conference on Housing.

1988 Work Program

At its 1988 organizational meeting, the Commission sought to build on its 1987 recommendations, and agreed on the following broad areas of study.

A. Prevention of Homelessness, including multifamily displacement, the feasibility of enacting an emergency Eviction and Foreclosure Prevention Program, and regional prevention strategies.

B. Congregate Facilities, including the rights and responsibilities of owners, operators, and residents of such housing.

C. Land Use Issues, including accessory apartments, zoning regulation, utility rate structures, and road standards, as they relate to affordable housing.

D. Finance Options for Affordable Housing, including the feasibility of amending to make more useful the Virginia Neighborhood Assistance Act, and enacting a state tax credit, similar to the federal credit, for low-income housing.

These study areas are outlined, along with related Commission recommendations, in the following sections of this Report.

As in 1987, Chairman Diamonstein sought to involve a cross section of housing professionals and advocates in the work of the Commission. Accordingly, he appointed four Subcommittees to share with the Commission their insight and expertise in the stated areas of study. Subcommittees appointed include the following: Prevention of Homelessness, The Honorable Lewis W. Parker, Jr., Chairman; Congregate Facilities, The Honorable John G. Dicks, III, Chairman; Land Use and Affordable Housing, Mr. James M. Scott, Chairman; and Finance Options for Affordable Housing, The Honorable Alan Diamonstein, Chairman. A roster of Subcommittee members is included at the conclusion of this Report.

To gather testimony on its subjects of study, the Commission convened four regional Public Hearings to receive updates on the status of affordable housing across the Commonwealth. The Hearings, held in Roanoke, Newport News, Richmond, and Fairfax, were attended by hundreds of Virginia citizens.

In addition to convening the Hearings, the Housing Study Commission, together with the Virginia Housing Development Authority and the Department of Housing and Community Development, sponsored the first Governor's Conference on Housing September 28 - 30 in Williamsburg. The Conference, which focused on the twin issues of housing finance and land use issues as they relate to housing, was an unqualified success. Sixty-five notable speakers and moderators from Massachusetts to Florida presented valuable information to over 600 conference participants, almost equally divided in numbers among the private and public sectors and nonprofit housing advocates.

Following the Public Hearings and the Governor's Conference, the Housing Study Commission and its Subcommittees, joined by Commissioners and key staff of the Department of Housing and Community Development and the Virginia Housing Development Authority, a Special Assistant to the Governor, and the Secretary and Deputy Secretary of Economic Development, met for a three-day legislative work session retreat in the Blue Ridge Mountains. After reviewing the recommendations of each Subcommittee, and with the counsel of others in attendance at the Work Session, the Housing Study Commission unanimously agreed on the recommendations included in this report.

The Commission and its staff are grateful to all who continue to contribute so generously and with such conviction to its work — to the members of each Subcommittee, to the Commissioners and staff of the Department of Housing and Community Development and the Virginia Housing Development Authority, to individuals who participated in the Public Hearings and the Governor's Conference, and to countless others.

Homelessness Prevention

The Virginia Housing Study Commission was mandated by the 1988 Virginia General Assembly to study homelessness in the Commonwealth, and report on possible strategies to prevent the growing crisis. Several major studies or surveys on homelessness in Virginia already were underway when the Commission held its 1988 organizational meeting, and it was agreed that the most expeditious and responsive approach to the mandate would be to review those studies already underway and gather additional supplementary information.

The two reports on which the Commission primarily relied were compiled by the Virginia Department of Planning and Budget (DPB) and the Virginia Coalition for the Homeless. Further insight was provided by research data gathered and analyzed by Dr. Paula Dail, Co-Director and Head of the Research Division at the Virginia Polytechnic Institute and State University Center for the Study of Poverty, focusing on homeless women and children. Recent reports on homelessness issued by the Southeastern Virginia Planning District Commission and a City of Roanoke Task Force also were illuminating. In addition, the Commission received valuable testimony on homelessness at its four 1988 regional Public Hearings. The Commission Subcommittee addressing homelessness in Virginia included advocates for the homeless and for victims of domestic violence; shelter and service providers; local, regional, and state officials; and members of the private sector. From these resources grew 1988 Commission recommendations for preventing homelessness.

The Department of Planning and Budget study surveyed Virginia county administrators and city managers, and sketched the characteristics of the homeless population in each of seven regions of the state. The Virginia Coalition for the Homeless survey was compiled utilizing data provided by forty-nine shelter providers. The survey reported statistics on the homeless population in Virginia, including reasons for homelessness, the numbers of homeless persons served by shelters, and the numbers turned away. Through interviews with a sample population of homeless women in shelters in Virginia and the District of Columbia, Dr. Dail obtained psycho-social and demographic data on the women, and reported such information as the crises which precipitated their homelessness, and their most critical needs for assistance as they perceived such needs.

How many Virginians are homeless? Precise numbers are difficult to gather and quantify, and shelter providers in the Commonwealth are striving to make more accurate data available. The Virginia Coalition for the Homeless reports that last year, despite the opening of more shelters and an increased number of beds, there were over 15,000 instances in which homeless Virginians were turned away from emergency shelters. Meanwhile, there were over 53,000 instances in which Virginians were given shelter for a limited period of time. From figures available, it is not possible to determine whether these numbers in fact refer to the number of homeless persons turned away, given that a single person could conceivably be turned away from several shelters each night for a succession of nights. Transience, seasonal variations in employment and location, and temporary sharing of living space of family and friends are other factors which contribute to the variance of homelessness statistics.

The DPB and Coalition surveys indicate that Virginia's homeless population is diverse, with varied factors precipitating homelessness. Utilizing figures provided by the Virginia Department of Social Services, the DPB reports that the homeless population is comprised of 32 percent single men, 11 percent single women, eight percent couples, and about two percent unaccompanied children. The largest component of homeless persons in Virginia is represented by families—either single parents with one or more children, or nuclear families still intact. Families comprise nearly 47 percent of Virginia's homeless. The Coalition reports that about 60 percent of Virginia's homeless are single persons, and 40 percent are adults with children. The Coalition further reports the age breakdown of Virginia's homeless as follows: 18-30 years, 31-60 years - 34 percent each; 6-17 years - 13 percent; 0-5 years - 12 percent; and over 60 years - seven percent.

What are the reasons for homelessness in Virginia? The Social Services figures used by DPB indicate that the number one cause of homelessness is eviction. Indeed, over a quarter of Virginia's homeless indicate that their situation results from eviction. Other causes cited include, in descending order: traveling through the area, domestic disputes, relocating to the area, unemployment, release from institutions, and underemployment.

The Coalition survey reveals four key reasons for homelessness: unemployment, eviction/foreclosure, deinstitutionalization, and family crisis or violence. Dr. Dail's research indicates that the demography of the women she interviewed follows the national statistics on homeless mothers across the country: most are between 17 and 24 years of age; have one or two children (usually with one being under age five); have at least a high school education; are not married; and have experienced multiple incidents of domestic violence prior to becoming homeless. For a few, their homelessness is the result of a rental crisis, or loss of their shelter because of abandonment by their male partner, leaving them financially unable to pay the rent. A few others left their homes because of the inhabitability of the structures. However, most have a history of housing instability, often drifting from place to place for some months prior to entering an emergency shelter situation.

One of the most gripping characteristics of Virginia's homeless is their status as "working poor." According to Coalition statistics, nearly 45 percent of all shelter residents work. That group of working shelter residents is almost evenly divided between those working part-time and those working full-time, and it varies regionally in Virginia. In northern Virginia, nearly 83 percent of all shelter residents work, and nearly half of them work full-time. In Tidewater, 46 percent of all shelter residents work, and over a quarter of them work full-time. These statistics tell us that, despite putting in an honest day's work, many Virginians cannot afford a place to live.

Given that the number of homeless Virginians is increasing, and that nearly half of all homeless persons work, what can be done to stem the tide of homelessness? Clearly, there is no single answer or instant remedy for the complicated individual and systemic problems contributing to the crisis of homelessness. However, programs of service and prevention can be implemented now. Emergency shelter, for example, is an essential and immediate need for those living on the streets. Transitional shelters and single room occupancy residences, and the support services they provide, are also needed to assist individuals and families while they resolve the problems that led to their homelessness, and search for affordable housing. (Last year, the Housing Study Commission recommended funding for both emergency shelters and transitional shelters, and such funding was provided for under the Virginia Housing Partnership Fund.)

Shelter providers responding to the Coalition survey ranked emergency shelter as the number one essential need for homeless persons. Other essential needs, according to Coalition respondents, are transitional and single room occupancy residences; affordable housing; rental assistance; mental and physical health services; job training and employment; and case management.

The DPB report states that homelessness prevention measures should address the needs of persons in imminent danger of being displaced. Such measures include landlord dispute arbitration; emergency eviction or foreclosure prevention assistance; and counseling to address housing, education, and health needs. The Dail study, the Coalition survey, and testimony presented by individuals at the Commission Hearings all indicate the need for comprehensive and integrated delivery of housing, social services, and other support systems.

Following are recommendations of the Virginia Housing Study Commission to address homelessness in the Commonwealth.

1. Eviction and Foreclosure Prevention

Economic dislocation caused by a temporary financial crisis such as unemployment is a major cause of homelessness in Virginia. The loss of a primary source of income by an individual or family often significantly reduces or eliminates a household's ability to maintain current housing payments.

Illness, accident, or a variety of economic circumstances may result in involuntary unemployment. The lack of an immediate alternative source of income causes many households experiencing temporary unemployment to become delinquent in making housing payments, and places them at risk of eviction from or foreclosure on their home. If alternative housing options are not available to such households, eviction or foreclosure may result in their subsequent homelessness.

The provision of limited housing assistance to individuals and families facing eviction or foreclosure due to a temporary loss of income may enable some households to maintain current rental or mortgage payments until another source of income is secured and the household can regain self-sufficiency. Such emergency assistance, currently provided in several other states and in some Virginia localities, may be a cost effective means of preventing homelessness by enabling households to avoid being forced out of private housing stock through eviction or foreclosure.

Once a household becomes homeless, more extensive governmental assistance is generally required. Furthermore, the ability of a household to locate employment opportunities or alternative sources of income and housing after becoming homeless is significantly reduced after the household becomes homeless. According to homeless shelters in Virginia, providing emergency assistance (shelter and meals) costs approximately $17 per person per night, and amounts to approximately $120 a week, or $500 a month. Temporarily assisting households to remain in their current housing may well be less expensive and shorter term than assisting the household after it has become homeless.

A primary objective of a homelessness prevention program in Virginia would be the directing of service efforts that currently serve only persons already homeless toward the early intervention and prevention of homelessness. An effective program of homelessness prevention would include not only limited rent or mortgage assistance to persons in imminent danger of becoming homeless, but also the integration of existing programs and services with the new prevention program. Other states indicate that the combination of existing programs and social services with eviction and foreclosure prevention programs has been a key element to their success in homelessness prevention and reduction.

Many of the programs and services necessary to implement a homelessness prevention system already are in place in many localities in the Commonwealth. Existing programs and services that may be important components of a comprehensive homelessness prevention program in Virginia and that would improve the effectiveness of an eviction and foreclosure prevention program include the following:

Case Management. A key goal of a homelessness prevention plan is the early identification of families who are at risk of becoming homeless. Case managers in local nonprofit and social services offices can identify at–risk clients and ensure that appropriate prevention services are provided. Housing specialists could ensure that at–risk clients take full advantage of all existing housing resources, and participate in appropriate budgetary and employment counseling. These services are provided in some Virginia localities by local human service offices and local housing agencies, and could also be provided by various nonprofit organizations.

Landlord/Tenant Mediation. Housing problems are often not strictly financial in nature, and may be resolved through mediation by a third party familiar with the rights and responsibilities that are provided both landlords and tenants under current state law. When the problems are financial in nature, landlord cooperation with housing assistance programs is often essential. Local human service agencies and nonprofit housing groups may negotiate terms that are acceptable to both the landlord and the tenant.

Homeowner/Mortgagee Negotiation. Housing counseling between the lender and the homeowner in devising a fair schedule of mortgage payments is an important component of any program to prevent foreclosure on a home. Local housing agency specialists may assist in negotiations between lenders and homeowners to arrange reasonable terms for payment of all arrearages and current monthly payments.

Housing Search. Local social services offices and housing agencies often assist low–income persons in finding appropriate and affordable permanent housing. Locating affordable housing is a vital element of any homelessness prevention program.

Emergency Assistance. Emergency assistance is currently provided in the state for households that have become homeless and are in need of temporary shelter and other services. A homelessness prevention program would focus on providing emergency assistance to households that have not lost their housing but are experiencing a temporary crisis period placing them at risk of becoming homeless.

Therefore, because emergency rental and mortgage assistance can be an effective, cost-efficient method of preventing and reducing homelessness, the Virginia Housing Study Commission recommends the establishment of a pilot demonstration emergency Eviction and Foreclosure Prevention Program in eight Virginia localities in 1989. Such Program, to be administered by the Department of Housing and Community Development through local social services or nonprofit housing agencies, is estimated to require capitalization in the amount of $2.7 million.

The Commission stresses that such housing assistance would be provided only as a "last resort," and that it would be allocated according to strict guidelines. More specifically, the Commission recommends the following Program guidelines:

- Households temporarily at risk of becoming homeless because of involuntary loss of income or other reasons, through no fault of their own, will be eligible to apply for one–time rent or mortgage payment assistance.
- Applicants will be eligible to receive assistance to satisfy rent or mortgage arrearages, as well as prospective assistance for up to six months.
- The Program will be designed to serve primarily Virginia residents at or below the poverty level. It is possible that grants might be made available to households at or below the poverty level, with loans made available to households above the poverty level. The program will be equitably applied in various regions of the Commonwealth.
- Applicants must demonstrate a satisfactory history of rent or mortgage payments.
- Applicants must have exhausted all other available remedies, including pre-negotiations with their landlord or mortgagee.
- Applicants must agree to participate in appropriate employment and/or financial counseling.
- Applicants must demonstrate that a member of the household expects to return to work and regain self-sufficiency within six months.
- An additional Program component might assist persons at risk of becoming homeless through no fault of their own with housing security deposits, and/or first month rent payments. (For example, a household that has lost a wage-earning member might need to relocate to lesser expensive space, but is unable to do so because of the up-front expense of deposits. If the household does not relocate, however, it will be unable to satisfy rental payments, and will be at risk of becoming homeless. Program assistance could allow the household to relocate, and prevent it from becoming homeless.)

These and other very stringent guidelines will determine applicant eligibility for, and receipt of, emergency assistance under the proposed pilot demonstration Eviction and Foreclosure Prevention Program.

2. Housing and Redevelopment Displacement

The displacement of tenants resulting from the redevelopment of multifamily rental units has become a significant concern in the metropolitan areas of the Commonwealth. The sale of older, subsidized or unsubsidized rental properties, bearing lower rents, and the subsequent major redevelopment or rehabilitation of the property, often markedly increases the rental cost of the units. Such cost increases often compel lower income tenants, including the elderly and the disabled, to leave their homes and search for affordable housing. Not only may tenants be temporarily displaced by the reconstruction activities, they also may be permanently displaced by higher rent levels required to offset the developer's expenses. The overall general revitalization of urban areas results in fewer units affordable to lower income tenants remaining in the local housing supply.

When low-income families, the elderly, and the disabled are displaced due to redevelopment and rehabilitation, they are often given little notice to vacate the premises, and no assistance in locating new rental units. Such individuals have a particularly difficult time finding satisfactory replacement housing.

When tenants are displaced by condominium conversions, the provisions of the Condominium Act create significant legal protections. In addition to establishing notification and disclosure requirements, the Condominium Act also permits local governments to enact ordinances providing special protection for elderly or disabled tenants of units undergoing conversion.

Two northern Virginia localities and one Tidewater city have relocation plans and/or assistance guidelines. Arlington County urges developer compliance, while Fairfax County and the City of Norfolk require developer compliance if developments are financed by the respective local redevelopment and housing authority. These relocation assistance plans and guidelines share the following common elements:

1. Relocation payments by the developer based on the size of the units and furnishings;
2. Notice to vacate ranging from 60 to 120 days; and
3. Relocation assistance, such as actually locating suitable units for relocation purposes, or expediting the return of security deposits.

Other elements of these plans, comparable in some respects to those of the Condominium Act, include moving assistance or expenses supplied by the developer, disclosure of the full redevelopment plan to the tenants, and the retention of affordable units. In instances where projects employ federal funds, such as Community Development Block Grants (CDBG), the locality must comply with U.S. Department of Housing and Urban Development regulations pertaining to displacement. In such instances, CDBG program funds may be used for relocation.

Developers of larger scale redevelopment projects are more likely to implement displacement assistance than are developers of smaller scale projects. For most smaller redevelopment projects, the cost of complying with relocation guidelines could render the project financially infeasible. Balancing the needs of tenants with those of developers may require financial incentives such as abating real property taxes for a specified term or graduating relocation assistance by developers on the basis of project size.

Major metropolitan cities such as Los Angeles, New York, Boston, San Francisco, and Chicago have not adopted guidelines for relocation assistance to tenants displaced by development. Strong rent controls and tenants' rights ordinances in these cities help to moderate such displacement. The National Conference on Uniform State Laws recently reported that no state has enacted enabling legislation regulating displacement resulting from rehabilitation or redevelopment. If Virginia were to regulate such displacement, state legislation would likely be of landmark national significance.

The Virginia Housing Study Commission in 1989 will appoint a subcommittee to conduct a detailed review of the need for, costs of, and provisions appropriate for inclusion in a possible "Multifamily Housing Redevelopment Displacement Act." The Subcommittee will include housing authority officials; representatives of the private and public sectors; and individuals or organizations representative of lower income, disabled, and/or elderly tenants.

Issues addressed by the Subcommittee might include the feasibility of the following:

A. Defining displacement, and distinguishing ordinary maintenance from redevelopment and rehabilitation activities resulting in displacement. Only projects that result in the displacement of tenants would be subject to possible displacement guidelines. Ordinary maintenance activities, such as those subject to the access requirements of Section 55-248.18 of the Virginia Residential Landlord and Tenant Act, would not trigger requisite compliance with such guidelines.

B. Requiring that rental rehabilitation projects above a certain threshold (e.g., more than ten units) that will result in the displacement of tenants cannot proceed until notice has been filed with the Virginia Real Estate Commission and the local government with jurisdiction. Such provision would give governmental or other locally interested parties the time to formulate responses mitigating the impact of the proposed redevelopment project. Filing fees paid by the redeveloper could be used to offset any administrative costs incurred by the Virginia Real Estate Commission or the local government.

C. Requiring developers of projects triggering possible notice provisions to prepare a relocation plan meeting certain minimum standards, including:

1. Issuing a 120-day notice to tenants who will be displaced by the construction activities,
2. Estimating the number of tenant households to be displaced both temporarily and permanently,
3. The prompt repayment of security deposits paid by tenants,
4. Assistance to tenants in locating comparably priced units,
5. Special leases for elderly and disabled tenants (as defined in the Condominium Act) providing for extensions of the current rent payment for a period of one year, and
6. Reimbursement of actual relocation expenses incurred by tenants as a result of displacement.

D. Establishing financial benefits to offset expenses incurred by developers meeting the requirements of displacement regulations. Benefits could be structured along several different lines, relying on state or local or combined state and local tax or fiscal structure. Developers compelled to comply with displacement regulations could be granted credits against state business income taxes. Alternately, local governments implementing state enabled displacement regulations could be required to offer real property tax abatements pegged to the amount and length of time that qualified tenants actually receive such benefits as extended leases, relocation assistance, or reimbursement of relocation expenses.

Housing Study Commission findings will be published in its 1989 Annual Report.

3. Planning District Commissions and Homelessness Assistance

Urban shelter providers in Virginia are increasingly incurring the costs of providing emergency housing assistance and other services for the state's growing homeless population. Providers of the facilities and services needed by the homeless, such as public transportation, emergency shelters, and facilities for meals, are usually located in urban localities, primarily in inner city districts. Urban areas usually provide better access to governmental resources and assistance, and many homeless persons relocate to these urban areas to have access to the available facilities and assistance. Shelter providers in urban areas are therefore increasingly incurring costs associated with providing assistance not only for their local homeless population, but also for homeless persons from other jurisdictions. The increase of homeless persons in urban localities has severely strained the resources of the facilities for the homeless in these areas.

The vast majority of local governments in the Commonwealth, both urban and rural, provide almost no financial assistance for shelter facilities and programs to assist the homeless. Reasons for the lack of local participation in programs for the homeless vary among localities. The need and demand for facilities and services for homeless persons in rural areas is often difficult to determine. Identifying the need for facilities in rural areas is further complicated by the migration of many of the homeless from these areas to urban localities where assistance may be provided. Urban localities, however, do not want to incur the total costs of providing "regional" facilities and assistance for the state's homeless population.

To date, localities have not made significant progress in working together to address the needs of Virginia's homeless. However, neighboring localities need to work cooperatively to develop programs and facilities to address effectively such needs and related regional issues. Currently, funding for emergency shelters and services for the homeless are primarily provided by federal and state government programs. Shelters are usually established and operated by nonprofit organizations and are funded through governmental assistance and private contributions.

A regional approach to studying and addressing specific issues of homelessness by Virginia's localities would supplement current statewide efforts to assist homeless persons. Neighboring localities can determine the specific needs and demands for services and facilities in each area and designate the most appropriate location for shelter facilities and service delivery to the homeless. Further, localities could determine an equitable method of sharing the cost of providing assistance within each region. Local funding to supplement the efforts of state and federal programs would greatly reduce the current fiscal burden on many existing shelters in the state.

The development of a regional approach of addressing homelessness could well be accomplished through the assistance of Virginia's 22 Planning District Commissions (PDCs). The PDCs were established in Virginia to provide a forum for neighboring localities to discuss matters of mutual concern, pool resources, and coordinate activities to address regional problems. Each PDC conducts studies and plans programs based on the needs of its member localities, and already most localities in the Commonwealth participate in regional planning through PDCs.

In addition, private and nonprofit organization shelters in the Commonwealth currently utilize a regional concept of cost sharing for homeless facilities. These shelters have contractual agreements with surrounding localities to receive monetary reimbursement for services rendered and shelter nights provided for each homeless client based on the residence of origin of those persons. Programs that provide facilities that serve the homeless on a regional basis could be implemented and funded by the localities that benefit from the facilities. The PDCs could utilize this concept to assist localities to develop and fund needed facilities and services for the homeless within each planning district.

While individual localities may currently work together through PDCs to establish programs for the homeless, such assistance is not specifically designated as a purpose of the Planning District Commissions. Therefore, the Virginia Housing Study Commission recommends amending the Code of Virginia to specify the power of PDCs to raise and establish funds for assisting the homeless in the region as a purpose of the PDC. The Commission is hopeful that such amendment may have the desired effect of encouraging and facilitating the establishment of such funds in the state. The Commission further recommends adoption of a legislative resolution encouraging Planning District Commissions in Virginia to work with member localities in developing plans to provide for the needs of the homeless in their respective districts, and to share the costs of assisting the homeless on a regional basis.

4. *Pro Bono* Legal Representation of the Homeless

The American Bar Association recognizes homelessness as "one of the most severe legal and social problems" facing the United States. Recognizing that homeless persons face myriad legal hoops without counsel, the ABA funded the creation of its "Representation of the Homeless Project" to help combat homelessness. The Project is designed to encourage local bar activation of *pro bono* projects to meet the legal needs of homeless persons. Already, successful Bar programs in other states, and one in Washington, D.C., actively assist the homeless. However, no such organized effort exists within the 11,000-member Virginia State Bar, the mandatory association of attorneys licensed to practice law in the Commonwealth.

Therefore, the Virginia Housing Study Commission recommends that the Virginia State Bar establish a Representation of the Homeless Program to provide Virginia attorneys a framework which they can utilize, should they so choose, to help alleviate the suffering of the homeless and those facing homelessness. Representatives of the Commission (of whom six and its Executive Director are members of the Bar) would be available to meet with the Bar President and Executive Director to assist in the drafting of guidelines for such program, and in publicizing its establishment.

Congregate Facilities

During regional Public Hearings conducted by the Virginia Housing Study Commission in 1987 and 1988, a number of speakers identified a need for a comprehensive examination of the rights and responsibilities of owners, operators, and tenants of housing for the elderly and disabled in the Commonwealth. The types of housing available in the marketplace include nursing homes and homes for adults, both regulated and licensed by the state, to congregate facilities, other multifamily housing, and single family housing, which are neither regulated nor licensed by agencies of the Commonwealth.

There is confusion among experts and consumers alike as to the differences between "homes for adults" requiring licensure and "congregate facilities" which are unregulated. "Homes for adults" are defined by the state, while "congregate facilities" are generally characterized as specially designed and managed multi-unit rental housing providing individual living units, along with an array of supportive services. Such services can include meals in a central dining room, housekeeping, transportation, routine medical care, and social and recreational activities. The primary beneficiaries are the elderly and disabled who cannot live completely independent lives and need help with home maintenance, shopping, cooking, and other activities, but do not require the more intensive level of medical support offered by a nursing home or similar licensed health care facility.

The elderly population in the Commonwealth is increasing much faster than the overall population of the state. Between 1970 and 1980, the number of Virginians 60 years of age and older increased 49.6 percent, while the overall population increased by 14.4 percent. Many of those who were 60 year olds during the 1970s are now in their mid to late seventies - the age group most likely to use some type of elderly housing facilities. The U.S. Bureau of the Census projects that the number of people between 75 and 80 will increase by 60 percent over the next 30 years. As a result of these demographic trends, there will likely be a dramatic increase in the demand for and construction of facilities to serve the elderly as well as the disabled.

Although the range of services offered by congregate facilities can be extensive, no state law currently regulates the provision of such services. Without full disclosure requirements and the delineation of a minimum level of services to be expected, potential tenants of congregate homes can experience difficulty in determining what level of services will be provided. Will operator promises be met, and will tenant expectations be reasonable? These are some of the same issues that led to the development of the Virginia Condominium Act during the 1970s, and the Virginia Timeshare Act during the early 1980s.

The Virginia Residential Landlord and Tenant Act addresses rental agreements, and covers many aspects of multifamily rental situations, including the rights and obligations of tenants and their landlords. However, the Act is silent on the subject of determining whether a tenant is capable of independent living or whether support services offered in a more structured environment are necessary for the proper care and housing of a particular tenant. Absent sufficient guidelines in the Act, neither landlords nor tenants know how to proceed or what to expect in these types of situations.

Testimony presented at Housing Study Commission Public Hearings in 1988 and information gathered during a preliminary study of congregate facilities indicates the need for an in-depth study of the entire area of housing for the elderly and the disabled prior to proposing guidelines for such facilities. An adequate study would likely require a year of work. Therefore, the Commission will continue its study of the issue, utilizing the talent and expertise of members of its current Subcommittee on Congregate Facilities. The Subcommittee will be called the Subcommittee on Facilities for Elderly and Disabled Virginians to reflect better its expanded focus.

Specifically, the Subcommittee will address the following:

A. Definition of the term, including clients served, and the different shelter options available to the elderly and the disabled.

B. Minimum level of services that should be provided.

C. Disclosure requirements for reporting to potential tenants on services to be offered, facilities, staffing, and costs.

D. Rights and responsibilities of tenants.

E. Rights and responsibilities of owners/ operators.

F. Standards for independent living.

G. Regulation, licensure, and accreditation of housing facilities for the elderly and disabled.

The Commission will report on recommendations in its 1989 Annual Report.

Land Use

The 1987 Housing Study Commission Annual Report included a recommendation that the Commission in 1988 undertake a study of land use issues as they relate to affordable housing in the Commonwealth. In its subsequent study, the Commission examined such issues as accessory apartments, building codes, innovative technology to reduce building costs, water and sewer rate structures, local road design standards, zoning, and other regulatory issues that may unnecessarily result in higher housing costs. Herewith are recommendations resulting from the study.

1. Accessory Apartments

Changes in the economic environment of housing as well as changes in the basic family structure during recent years have made the traditional goal of home ownership increasingly difficult for many persons to achieve. Smaller family units and the higher cost of home ownership have also created increasing demands for decent rental housing.

As the cost of housing has increased, consumers have become more interested in making more intensive use of existing dwellings. Accessory apartment conversions represent one form of this response. An accessory conversion does not involve the complete remodeling of a house. The extra unit is created by converting part of a primary dwelling or by adding one or more rooms to a structure. It is "accessory" in the sense that it is subordinate in size, location, and appearance to the principal unit. Single family houses have the greatest potential for accessory apartments. Many already have a basement, attic, workshop, or garage which can be easily converted into a separate dwelling space; others have the land or space for creating an accessory unit.

Communities use a variety of terms to refer to the concept of accessory apartments, including accessory dwelling units, single family conversions, mother-in-law apartments, and secondary residences. All of these terms refer to an independent unit that shares, at most, an entrance, a yard, and parking with the "primary" unit. Accessory apartments are to be distinguished from "shared housing," in which kitchens and often other major facilities are used in common. Accessory apartment units are also distinguished from "echo housing," which refers to small detached cottages placed in rear or side yards to permit older people to live independently, but in close proximity to the main residence.

The use of accessory apartments and shared housing has increased in many communities of Virginia despite the controversial nature of converting single family housing units to multifamily use. Several independent studies conducted nationwide indicate that over 200,000 single family dwellings are converted each year to provide accessory apartment units. These surveys indicate that increasing numbers of homeowners consider the addition of an accessory apartment unit as a means to supplement income in order to afford and maintain decent housing.

The increased demand for the conversion of single family residences is primarily in response to the current economic environment of housing. The cost of decent housing, both for existing units and for newly constructed units, has increased beyond the affordable level for many households in Virginia. Income from the rental of surplus and unused space in housing provides current and potential homeowners with an additional source of income that may be needed in order to afford current housing prices. Older persons can use this rental income to assist them remain in their homes on limited retirement income. In addition, accessory apartment tenants can provide not only rental income, but also personal services to older homeowners in return for lower rent. Tenants can be a source of companionship and security for the elderly.

Another trend creating a demand for accessory apartment units is the shortage of available housing in many areas caused by an increasing rate of household formation. The social and demographic changes contributing to the increased rate of household formation are well recognized. The movement of the large generation of people now in their twenties and thirties from their parents' homes and into the housing market, the trend toward postponing marriage and maintaining independent households, and the increased divorce rate all contribute to the establishment of a growing number of independent households. The addition of accessory apartment units in single family residences in many communities has provided an additional supply of decent and affordable housing to accommodate increasing numbers of households.

Accessory apartments in single family units can provide certain advantages to the community. Such conversions make more efficient use of the existing housing stock through better space utilization. They also generate additional rental housing in areas where development is restricted or new apartments would be too expensive to build by conventional means. Even where the rental housing supply is not constrained, accessory apartments have attracted much interest as a way to create new housing opportunities for low- and moderate-income homeowners and renters.

However, accessory apartments remain a controversial issue in many communities and neighborhoods in Virginia. A primary concern is that the increased population within the neighborhood will also increase traffic and create parking problems, in turn lowering the quality of living within the community. A second concern involves social and cultural conflict. The accessory apartment arrangement represents a deviation from the traditional image of housing, family, and neighborhood. It can symbolize a change in the way the single family house is used, a change that clashes with the traditional meanings attached to the categories of residential zoning.

Although accessory apartments are currently regarded by many as a way to improve housing opportunities, they have in the past been considered a reliable indicator of blight, and were found only in marginal single family neighborhoods that showed signs of deterioration and decline. This perception is difficult to alter, despite the presence of conversions in many stable and well-maintained neighborhoods, and is reflected in the zoning amendments of many communities that permit such property uses but limit them to certain areas, homeowner groups, or homes built before a certain date.

To promote affordable housing opportunities in the Commonwealth, the Virginia Housing Study Commission recommends the passage of a legislative resolution encouraging localities to adopt language in their zoning regulations to permit accessory apartments in single family residential districts where such use is not prohibited by restrictive covenants.

2. Local Zoning Regulation

Zoning is now one of the most widely used and accepted methods for advancing a number of legitimate governmental interests connected with land and its use. Functions frequently associated with zoning include assuring the orderly development of land, maintaining reasonable separation and transition among land uses with incompatible features, and preserving neighborhood characteristics.

Zoning regulations have been responsible, in part, for the success of many of the well-planned communities built in the post-war era. They have helped assure that development proceeded at an orderly pace, providing time for the planning and construction of necessary public facilities. Zoning has the potential to encourage a variety of housing types suited to the needs of diverse households and individuals, maximizing the health, safety, and welfare of their residents, while minimizing the cost of those benefits. Zoning is, in itself, essentially neutral, and its use determines whether its effects are beneficial or detrimental.

Virginia, like most states other than Hawaii, has delegated primary responsibility for zoning to local governments. Local zoning plays a crucial role in any program to increase housing affordability simply because land costs (for both raw and developed land) have been implicated as the major component in the housing cost inflation of the past two decades. Land costs, which once constituted ten to twelve percent of the development cost for housing, now account for as much as 30 percent of the cost of a new single family dwelling. In sum, zoning sets the basic rules for land development. To foster affordable housing, the Virginia Housing Study Commission makes the following recommendations pursuant to zoning.

A. Exclusionary Zoning and Land Use Practices

Three zoning techniques in particular have been implicated as having either the potential to increase housing costs unnecessarily or to exclude a number of affordable housing options. These techniques include the use of large lot zoning, the omission of various housing types from permitted use categories, and heavy reliance on discretionary zoning controls.

Given the large share of overall housing costs assignable to land cost, the actual size of lots permitted within a zoning district has a direct impact on the price of housing. Communities that rely exclusively on large lot zoning as a planning tool necessarily inflate land costs per housing unit and effectively reduce the potential for affordable housing. Large lot zoning is utilized as a growth management tool, although its consequences frequently belie its purpose. In predominantly rural communities, such zoning has been employed as a device to preserve agricultural areas and open spaces. Unfortunately, the technique can often foster sprawl development, in which farmland is converted to low density residential use, and open space in the form of forests and fields is actually diminished.

Demand for municipal services in such low density residential settings also presents the locality with a fiscal dilemma. Provision of services such as public sewer, water, or drainage systems necessarily requires a high outlay per subscriber. The capital costs of installing a system covering extensive land areas must be spread across a relatively small number of users, increasing the cost of maintaining a home. Once established, large lot zoning may become entrenched, foreclosing other options.

Zoning ordinances serve to exclude alternative patterns of residential development in a number of other ways, as well. Such ordinances may include only single family residential districts among permitted uses. Other types of residential development, such as apartments and manufactured housing, may be omitted altogether from the local ordinance or permitted only by discretion (e.g., through special or conditional use permits) within certain districts. Even where permitted on paper by local ordinances, rigid setback requirements and other controls affecting the design and placement of structures may discourage or even prevent the use of innovative design features with proven affordability characteristics.

Reacting in part to the perceived liabilities of the rather rigid traditional zoning ordinances, and responding both to the increasing complexity of land use issues and the sophistication of large-scale development proposals, localities have applied discretionary zoning controls since the late 1960s. Generally speaking, such controls provide a much looser framework for zoning than do traditional ordinances. General guidelines, performance standards, or criteria are mandated, and actual use or specific design features permitted within a district often are not prescribed, but may vary so long as they satisfy the general criteria. Since each case presents a unique situation, local review and decision-making provides an opportunity for the responsible authority to exercise a significant degree of discretion.

Discretionary controls include the following techniques:

- Planned Unit Development (PUD) or Planned Development, which permits the use of a single zoning process to review a unified site design mixing building types, land uses, open space, and other design features and providing for the sequential phasing of the development.
- Conditional Use Permit, which permits land use not normally permitted within a given zoning district, if the proposed use complies with certain criteria designated by the zoning ordinance.
- Floating Zone, which is an unmapped zoning district incorporating specific requirements or criteria.
- Proffered or Conditional Zoning, which allows a locality to accept conditions proffered in a development proposal but not specifically spelled out in the ordinance as part of the rezoning.
- Incentive Zoning, which is the practice of granting bonuses—generally in the form of increased project density—to a developer in return for the developer providing certain features or amenities within the project that the locality considers desirable.

In terms of housing affordability, discretionary controls have the potential to reduce development costs. Density bonuses; unified review procedures; and provisions for innovative designs incorporating clustering, zero lot lines, or other cost-reducing features all could have positive effects on the overall cost of producing affordable homes. However, if these benefits are nullified by extended negotiations accompanying complex development proposals, and if local requirements for proffered conditions are excessive, then more expensive housing is apt to be the final product.

The Housing Study Commission in 1989 will study exclusionary zoning and land use practices and possible remedies for such practices.

B. Planned Developments, Mixed Use Developments, and Density Bonuses

While such flexible zoning techniques as planned developments, mixed use developments, and density bonuses have the potential to promote the production of affordable housing, Virginia enabling legislation for zoning does not contain provisions specifically authorizing the use of such techniques. Such specific enabling language could encourage more localities to incorporate flexible zoning techniques in their land use regulations, and in turn promote the production of varied affordable housing.

Therefore, the Virginia Housing Study Commission recommends the adoption of legislation amending Section 15.1 - 491 of the Code of Virginia to permit local zoning ordinances to include planned developments, mixed use developments, and density bonuses to foster the production of affordable housing. Further, the Commission recommends the adoption of a legislative resolution encouraging local governments to incorporate such techniques in their land use regulations.

C. Manufactured Housing

Manufactured housing offers a potentially viable solution to the problem of affordable housing in the Commonwealth. Despite the fact that double-wide manufactured housing units are virtually indistinguishable from the more traditional single family housing units, zoning ordinances in many Virginia localities restrict the use of manufactured housing. The Virginia Housing Study Commission recommends a legislative resolution encouraging all Virginia localities to remove zoning restrictions on the use of manufactured housing, as defined in Section 36-85.3 of the Code of Virginia, as permanent residential dwellings on private land outside rental parks and manufactured housing subdivisions. In addition, the Commission will study the use of manufactured housing in Virginia and report on the same in 1989.

D. Affordable Price Range Dwelling Units

In testimony presented at the Housing Study Commission 1988 Fairfax Public Hearing, and in subsequent meetings, the Commission was advised that current Fairfax County voluntary programs, whereby developers receive density bonuses in return for including affordable housing units, are inadequate to meet the housing crisis in Fairfax. In response to requests from northern Virginia developers, local government officials, and housing advocates, the Virginia Housing Study Commisssion recommends the adoption of legislation amending the Code of Virginia to permit localities having the Urban County Executive form of government to adopt an Affordable Price Range Dwelling Unit (APRDU) Ordinance. The ordinance would require that the density of units within a development be increased by a defined maximum percentage in return for providing a defined minimum percentage of units affordable to families/households with incomes as low as 60 to 70 percent of the area median income. The maximum density bonus and minimum set-aside of affordable units would vary according to unit/product type. The applicability of the ordinance would be limited to subdivisions of more than 50 units, and very low density developments without basic public services would be excluded. This legislation, which is based on the experience of Montgomery County, Maryland, would apply only to Fairfax County.

3. Streamlining the Local Land Use Regulatory Process

The existence of zoning and other land use regulations necessarily entails some cost to those expected to comply with such requirements. Restrictions on lot size, shape, development density, and other features may constrain the profit a developer could derive from the residential development of a given parcel of land. The developer may ultimately be compensated for many of these costs if the regulations foster an attractive community whose features encourage the rapid sale or lease of the individual housing units. But, aside from the explicit costs inherent in zoning ordinances, the process associated with zoning and other land use regulations also carries a price tag.

That time equates with money is no less true of the homebuilding industry than it is of any other modern economic activity. Indeed, in an industry still comprised of many small and medium-sized local companies, the potential cost of holding raw land while awaiting the outcome of the regulatory process can weigh critically against the developer's profit margin and very survival. However, the significance of time delays to the developer must be balanced against the necessity that local governments, which are responsible for zoning decisions, have adequate time to evaluate zoning requests as well as provide the public with sufficient notice of impending zoning decisions.

A number of trends may have made the question of regulatory delay resulting from the zoning process a more critical issue today. The already high cost of raw land for development magnifies the potential effects of delay. The increased use of discretionary zoning tools and the growing complexity and size of many residential development proposals have turned the once relatively simple legislative act of rezoning into a more protracted negotiating process that culminates in a legislative act. From the perspective of the local government and its constituents, more caution and consideration is necessary. The fiscal consequences of major residential development proposals, in terms of service demands and tax effort, appear to grow exponentially with the scale and pace of development.

Existing Virginia zoning and land use enabling legislation recognizes the potential problems associated with local processing delays. Public notice requirements are set forth explicitly in Section 15.1-431 of the Code of Virginia, which requires that all zoning change requests must be referred to the local planning commission. Should the commission fail to report its recommendation within 90 days, that inaction constitutes approval. Local governments are empowered to mandate an even shorter reporting period. Governing bodies, however, are not themselves subject to a similar time constraint.

Subdivision enabling legislation, which controls subdivision plats, site plans, and plans for development, limits the time allotted for local review. If the local reviewing authority fails to act within 60 days, the developer may petition the local circuit court for judicial review and possible approval of a plat or plan. The 1986 Virginia General Assembly added to these restraints by requiring state agencies reviewing preliminary subdivision plats to complete their review within 45 days. The local authority then has 35 additional days to act on the preliminary plat. If a planning commission must review the preliminary plat following state agency review, the local review may take up to 45 days. Thus, while preliminary plats once could be held up indefinitely, they now should receive a complete review in from 80 to 90 days from the date of submission.

In 1989, the Virginia Housing Study Commission will examine the land use regulatory process as it affects the cost of housing and determine steps localities might take to reduce the cost of housing by streamlining the regulatory process. The Commission is of the opinion that localities might well learn streamlining measures from each other, and is hopeful that it can assist communities in this endeavor.

4. Subdivision Street Standards

The Virginia Department of Transportation (VDOT) subdivision street standards require all streets accepted into the state secondary system of highways to be constructed to certain minimum design standards. The primary purpose of this regulation is to assure that roads are adequately constructed to carry projected future traffic flows. Requiring certain minimum street standards prior to acceptance into the state secondary system of highways reduces the possibility of the need for major reconstruction or repair of roads in the future.

The minimum state requirements for subdivision streets are applicable statewide and therefore must be adaptable to a wide variety of local conditions. Developers have indicated that in certain circumstances the state standards, and more often local standards with more extensive requirements, constitute an unnecessary financial burden on subdivision development. The costs of providing streets and other related facilities in compliance with state and local requirements are ultimately paid by the home purchasers in the subdivision, and such excessive street requirements have been identified as a factor that increases the cost of new housing in the Commonwealth.

Recently, the VDOT proposed amendments to the Subdivision Street Standards. These amendments include increasing the design speed and width of minor subdivision streets, and requiring super elevation of such streets. Such proposed changes have cost implications for developers who would be required to comply with the standards in order to provide streets eligible for inclusion in the state system of secondary roads. In turn, the higher development costs would be passed along to home buyers in the form of higher cost housing.

Therefore, the Virginia Housing Study Commission has advised the Virginia Department of Transportation that it unanimously opposes the adoption of the proposed amendments to the Subdivision Street Standards on the grounds that the proposed standards would increase the cost of residential development without providing equivalent improvement in highway safety. Further, the Commission has requested the opportunity to review and comment on such amendments prior to their becoming effective.

7. Local Utility Fees

Virginia localities continue to face a significant fiscal challenge related to their water and sewer needs. A 1984 study prepared by the Virginia Department of Health for the state Water Study Commission noted the need for $1.75 billion in local water projects by 2000. The Federal Environmental Protection Agency counted nearly $3 billion in backlogged and needed wastewater facilities that would be required in Virginia by 2000. The State Water Control Board, in a parallel study, placed local wastewater project needs at a minimum of $2.1 billion.

The vast majority of these needs will have to be met through local funding. Neither the state nor the federal government has ever played a large role in financing water supply systems. The impetus for significant upgrading and expansion of sewage treatment systems has come from the federal government as a result of the Clean Water Act and subsequent amendments. However, federal funding now falls far short of the level required to meet the goals of the Act, and, localities are increasingly left to their own resources.

Because most of the future expenses will be borne at the local level, developing a fair and appropriate allocation of system costs among the residents of existing housing and the purchasers of new housing has become locally contentious. Fees are levied not against new residents *per se*, but against new developments that require the expansion of an existing system.

Current residents of a community who are connected to an existing system point, with considerable justification, to the unfairness of a ratemaking policy that assigns to all subscribers the costs of capital expansion that would not be required but for the necessity to serve newly developed areas. Potential buyers of new homes point, with equal justification, to the inequity of connection fees that require them to pay substantially more than the actual cost of extending the service to them and making the physical connection to the utility network. Even more burdensome are connection fees that shift the cost of higher levels of treatment or other improvements exclusively to the latest development occurring in a community, even though they are intended to benefit all users.

For the local government and utility administration the challenge is to provide an accounting of costs that will identify and segregate the various sources of expenses. With these figures, the rate structure and connection fees can more accurately reflect the financial status of the system. Costs necessitated strictly by increases in the capacity required to meet higher volumes of flow at the same level of treatment could reasonably be assigned to new subscribers through connection fees. Costs resulting from changes to the existing level of service (e.g., increased water pressure, more removal of inorganic pollutants, or higher levels of sewage treatment) reasonably should be spread across all subscribers, old and new, through the rate structure because all users derive benefits.

Some improvements may accomplish both objectives. An increase in raw water storage resulting from a new impoundment might, for example, be necessary to meet growing demand, but it could also provide all subscribers with better quality water. Similar circumstances are conceivable for sewage treatment facility projects that might accomplish multiple objectives. In such cases an assignment of costs should help determine who pays on the basis of who benefits. Such determinations, however, may prove both technically and politically difficult.

The only guidance provided by the Code of Virginia in Section 15.1-321 is that "...fees, rents and charges, being in the nature of service charges, shall, as nearly as the governing body shall deem practicable and equitable, be uniform for the same type, class and amount of use or service...." As the only body authorized to set fees and rate structures, the local governing body appears to have considerable latitude for determining classes and applicable rate structures.

Communities with an interest in affordable housing have a stake in assuring that the local fee and rate structures do not unfairly shift the burden of utility finance onto new development. Requirements that new developments connect with public utility systems may be a double-edged sword, and increasing connection costs can offset the benefit to the developer resulting from the higher density of development that is possible in utility-served subdivisions. Depending on the soils and geography of the community, there may be sound environmental health reasons for requiring utility hookups. In other cases, the requirement may reflect the fiscal needs of the utility system more than any other factor.

Because most connection fees are paid by the developers of new housing, they are generally passed through to the purchaser. Thus, they have a direct impact on the cost of new housing. Fees set on a per unit basis also tend to have a greater relative effect on lower cost housing than on more expensive units.

The issue, then, is really one of balancing the need for a stable fiscal environment for local utilities with the need for affordable housing in the Commonwealth. Local fee schedules must treat current and future customers fairly, assuring that while current residents are not compelled to subsidize new development, neither are residents of newer housing exclusively compelled to pay the costs of improvements designed to benefit all subscribers. The Virginia Housing Study Commission recommends that the Virginia Water Commission study the utility rate and fee structures of local governments and sanitary districts with the goal of encouraging systems that reflect and distinguish between the actual costs and benefits resulting from expansion required to serve new subscribers and improvements required to meet increased standards or costs and which effect all subscribers.

Finance Options

The area of finance presents opportunities for some of the most creative strategies to transform housing problems into workable solutions. The Housing Study Commission in 1988 examined a variety of such opportunities, including taxation incentives, public investment in housing, regional loan funds, and private activity bonds. Recommendations related to housing finance follow.

1. Expansion of the Neighborhood Assistance Act

The Neighborhood Assistance Act was established by the Virginia General Assembly in 1981, and is scheduled to "sunset" after Fiscal Year 1989-90. The purpose of the Act is to encourage direct investment by business firms in offering neighborhood assistance and providing job training, education, crime prevention, and community services to neighborhood organizations to benefit low-income persons and individuals living in impoverished areas. Business firms participating in the program receive a 50 percent state tax credit for eligible contributions.

The Neighborhood Assistance Act has provided private sector incentives for investments in projects to provide housing assistance to low- and moderate-income persons and to persons with special housing needs. During FY 1987-1988, the housing projects described below were among those authorized to receive private investments and contributions from business firms participating under the Neighborhood Assistance Act tax credit program. Tax credits approved for housing-related projects during FY 88 total $459,573.

- *Ecumenical Family Shelter.* This program provides temporary shelter for homeless families in the City of Norfolk. The shelter will continue the present program and expand services by constructing an additional facility. Contributions through the Neighborhood Assistance program will be used primarily for the acquisition of a new dwelling.
  Total Project: $206,117
  Tax Credit: $103,058

- *Hartwood Residences.* This Alexandria program is designed to establish additional group home facilities and programs for impoverished developmentally delayed adults. Contributions will be used for staff, equipment, furnishings, and building costs.
  Total Project: $125,000
  Tax Credit: $ 62,500

- *Shelter for Help in Emergency.* This Shelter in Charlottesville offers services, including temporary lodging, to victims of domestic violence. Donations will be used for purchase and renovation of a new facility. After the facility is acquired, assistance will be sought for rehabilitating and furnishing the house.
  Total Project: $100,000
  Tax Credit: $ 50,000

- *Alexandria Community.* This program offers runaway, homeless, and abused youth counselling and emergency shelter.
  Total Project: $ 36,000
  Tax Credit: $ 18,000

- *Wesley Housing Development Corporation.* This is an extension of a project to develop in Fairfax a prototype shared dwelling for six to seven impoverished elderly residents. Donations will be used for all components of the construction budget.
  Total Project: $150,000
  Tax Credit: $ 75,000

- *Charlottesville Housing Improvement Program.* This project, operating in the City of Charlottesville, acquires, and rehabilitates vacant houses for sale or lease to low-income people. Contributions under Neighborhood Assistance will be used for building materials, acquisition costs, and contract services such as electrical and plumbing work.
  Total Project: $ 33,700
  Tax Credit: $ 16,850

Since Fiscal Year 1985, the annual cap on tax credits available for projects under the Neighborhood Assistance Act has been $5,250,000. Although 165 projects have received approval to participate in the NAA program since 1983, the total amount of tax credits utilized each year by business firms has been only a fraction of the tax credit authority available. Total tax credits used for Neighborhood Assistance projects during the past three fiscal years is summarized in the following chart.

NEIGHBORHOOD ASSISTANCE ACT
Availability and Utilization of Tax Credits
FY 1985 through FY 1988

Fiscal Year	Tax Credits Available	Tax Credits Approved	Tax Credits Used
1985-1986	$5,250,000	$690,980	239,776
1986-1987	5,250,000	994,119	600,633
1987-1988	5,250,000	1,569,675	463,829

Amending the Act to allow broader business and individual program participation in such activities as providing financial assistance, labor, materials, and technical advice to low-income individuals and areas would enable participating neighborhood assistance programs more fully to utilize the tax credit authority available. Such amendments would also encourage additional private investment as part of a partnership effort with local, state, and federal government to assist low-income persons and impoverished neighborhoods.

For these reasons, the Virginia Housing Study Commission recommends the adoption of legislation amending the Code of Virginia to reflect the following:

1. Extend the NAA for an additional five years beyond its 1989-90 sunset date.
2. Expand the NAA to allow tax credits for individuals approved as program participants under the NAA guidelines.
3. Amend the definition of "neighborhood organization" eligible to receive contributions qualified under the NAA to include public housing authorities and local governments.
4. Amend the NAA definition of "neighborhood assistance" to allow a broader range of activity qualifying for credits, including but not limited to rent discounts by apartment owners to physically and/or mentally disabled tenants.
5. Encourage the Virginia Department of Social Services, the agency which administers the NAA, to provide for more than two program application periods per year.

To ensure that the NAA program will not reduce state revenue from current budget levels, the Commission further recommends that the present $5,250,000 annual ceiling on tax credits allowed under this program be maintained.

2. Regional Housing Loan Program

The housing loan programs recently initiated under both the Virginia Housing Partnership Fund and the Virginia Housing Development Authority's Virginia Housing Fund to foster low- and moderate-income housing do not include geographic targeting among their criteria. Thus, the annual competition for these limited loan funds is open on a statewide basis, and encourages the funding of proposals deemed most likely to attain the goals of each program. There is no guarantee that funds will be allocated to those portions of the Commonwealth with the highest demonstrated levels of need.

Rural Virginia, in particular, faces housing problems that are distinctly different from those encountered in metropolitan central cities and suburbs. In other states, notably Kentucky, these differences have fostered efforts to establish regionally administered loan funds, which can address specific housing needs and issues that may be peculiar to a given region. The Kentucky experience may also provide guidance for developing various policy and procedural features of any Virginia programs that either encourage or directly target regional loans.

In 1985, the Kentucky Housing Corporation (KHC), the housing finance agency of the state of Kentucky, established a rural home loan fund to aid selected nonprofit builders. The KHC provided $480,000 as the initial capitalization for a Rural Home Loan Program administered by the Federation of Appalachian Housing Enterprises (FAHE) based in Berea, Kentucky. Subsequent loans added some $207,000 to the fund. These funds provided the basis for offering mortgage financing to 18 low-income eastern Kentucky households in 1985.

The FAHE is a coalition representing a dozen nonprofit housing builders from six central Appalachian states, including Virginia. Because it is an umbrella organization not directly involved with building or rehabilitating housing, FAHE can devote most of its time and effort to administrative tasks whose benefits are shared by all of the individual organizations. In this capacity, FAHE administers loan funds; provides technical, managerial, and design assistance services; develops new program initiatives; carries out advocacy efforts; and raises funds to support the activities of the constituent members. These services, in turn, free member organizations to focus their efforts on the actual construction or rehabilitation of housing.

The Rural Home Loan Program administered by FAHE has some unique features. The capitalization actually took place in the form of a twenty-year, no-interest loan to FAHE. This method assured that, technically, the initial $480,000 remained as an asset of KHC. Because FAHE agreed not to draw down the loan funds until they were actually needed for a closing, KHC could continue to earn interest on encumbered but unused funds.

The FAHE provided security and a guarantee of repayment by purchasing in 1986 a twenty-year, $45,000 zero coupon bond with the proceeds of its first drawdown. With loan repayment assured, better than 90 percent of the available capital could be applied directly to mortgage creation, and FAHE was able to capitalize its own mortgage pool with the receipts from each borrower's loan payments. Principal and any interest repaid by the individual borrowers are returned to the permanent pool of Home Loan Funds. Ultimately they will become available to finance future home mortgages. FAHE assumed the responsibility for servicing the mortgages; its constituent member groups in Kentucky perform the initial contact work and other functions in connection with the actual mortgage loan applications.

The ability of FAHE and its member organizations to tap into Appalachian Regional Commission (ARC) programs; attract grant funds; employ volunteer labor and donations of materials whenever possible; and use cost-effective, innovative, and energy efficient construction materials and methods have contributed significantly to the program's success. Other circumstances have also affected the program. Before initiating the application process for a household, FAHE emphasizes the importance of extensive counseling for the family. Because the households involved in the programs generally have very low incomes—even for the region—it has been essential to assure that they are prepared to assume the responsibilities associated with owning a home. In addition, many applicants for loans from the FAHE fund actually had title to or possession of land. In contrast to certain Farmers Home Administration Programs, where little or no equity has been required, FAHE required that borrowers use land as part of the downpayment. This guideline provided additional security for the loans and increased the sense of responsibility felt by the borrowers.

The FAHE serves as a mortgagee of last resort, and its successes may also be traced to the inherent conservatism of its program design. It assured repayment of the initial capitalization loan, and insists on rigid limitations to the cost of rehabilitation ($10,000) and new construction ($25,000), cutting out all but essential features. To lower out-of-pocket costs to the homebuyer still further, FAHE uses a two contract system. The first contract states the general terms for all FAHE loans. All mortgages carry a ten percent annual interest rate and require the repayment of principal and interest amortized on a monthly level payment basis. The second contract acknowledges that a household may not be able to pay the full interest charges and provides for an interest credit to reduce the monthly payment. Thus, actual interest rates may vary within a range from one to ten percent. The family must continue to pay the full principal amount monthly, while agreeing to notify FAHE of any changes in income, so that future payments may be adjusted appropriately.

While the FAHE program can reach only a limited number of households annually, it has had remarkable success in providing very low income households with the opportunity for home ownership. Through 1988, FAHE had reported no foreclosures and only a few instances of delinquency despite the fact that the average adjusted annual income of participating households was under $7,000. Indeed, the FAHE program would appear to provide a reasonable prototype for such a regional approach to encouraging the production or rehabilitation of owner-occupied housing for low-income Virginia households.

In many respects, Virginia's problems with inadequate housing resemble those found in Kentucky. Upgrading rural housing is particularly challenging because of the relatively low income prevailing in rural areas, the lack of population concentration, and the absence of governmental or sometimes even private, nonprofit organizations with the capacity to undertake effective housing programs. In this respect, a regionally administered housing loan program resembling the Kentucky example could overcome many of these problems. Availability of funds on a regional basis could help stimulate a response by locally based nonprofit builder/rehabbers. The utilization of an experienced regional body, such as FAHE, as project coordinator and administrator would provide some assurance that funds would be expended cautiously and with a reasonably high probability of success. This approach also reduces the administrative overhead associated with dividing the same amount of loan money among several smaller individual housing organizations operating within a region.

If such a program were initiated in the Appalachian region of Virginia, other conditions would replicate the Kentucky experience. One of Virginia's most respected and seasoned nonprofit housing groups, Virginia Mountain Housing, is a constituent member of FAHE. In addition, other private nonprofit organizations are present within the Appalachian region of Virginia; weatherization programs are in place in the Virginia Highlands and Cumberland Plateau, and regional housing authorities have been established. Southwest Virginia is included within the ARC's jurisdiction and virtually all localities in the Appalachian region of Virginia are eligible to participate in the non-entitlement Community Development Block Grant Program (CDBG). Opportunities for leveraging are, therefore, abundant.

The VHDA presently has under consideration a proposal from FAHE to establish a home loan program somewhat similar to the Kentucky model using funds borrowed from the Authority. The VHDA and FAHE are currently negotiating possible terms for a loan from VDHA's Virginia Housing Fund to capitalize such regional program.

The Virginia Housing Study Commission recommends that the Virginia Housing Development Authority, through its Virginia Housing Fund, proceed with funding such proposal, already submitted, to establish a regional loan fund in southwest Virginia. It is further recommended that the Department of Housing and Community Development, through the Housing Partnership Fund and other sources, cooperate in supporting this effort.

3. Extension for Single Family Housing Bonds

Recently enacted federal legislation provides for an extension of the sunset date for single family housing as an eligible use of tax exempt private activity bond authority through calendar year 1989. State private activity bond legislation was developed to comply with previous federal law, under which authority to use tax-exempt bond financing for single family housing development terminated after December 31, 1988. The Virginia General Assembly will need to amend state private activity bond legislation to comply with new federal tax law if single family mortgage bond issuance is to continue during 1989.

Therefore, the Virginia Housing Study Commission recommends the adoption of legislation to amend Section 15.1-1399.13 of the Code of Virginia to enable the Commonwealth to continue issuance of private activity bonds for single family housing in accordance with federal law through the extended sunset date of December 31, 1989. The legislation is recommended for emergency status so that single family bond issuance can begin as early as possible during 1989, rather than July 1, 1989. In addition, the Commission encourages the Virginia Housing Development Authority to utilize such bonds to finance low-income housing cooperatives.

4. Low-Income Housing Tax Credit

The Tax Reform Act of 1986 provides a federal tax credit that may be claimed by owners of residential rental property used for low-income housing. The credit is claimed annually, generally over a period of ten years. New construction and rehabilitation expenditures for low-income housing projects placed in service in 1987 are eligible for a maximum nine percent credit, paid annually for ten years. The acquisition cost of existing projects and the cost of newly constructed projects receiving other federal subsidies placed in service in 1987 are eligible for a maximum four percent credit, also paid annually for ten years. For buildings placed in service after 1987, these credit percentages will be adjusted to maintain a present value of 70 percent and 30 percent respectively for the two types of credits.

The credit amount is tied to the qualified basis of the housing units serving low-income tenants. For purposes of the low-income housing tax credit, low-income tenants are defined as having incomes equal to or less than either 50 percent or 60 percent of area median income, adjusted for family size and location in low-income or high housing cost areas. A project must have a minimum of either 20 percent of its units occupied by households with incomes under 50 percent of area median income, or 40 percent of its units occupied by households with incomes under 60 percent of the area median. Rents, including tenant-paid utilities, cannot exceed 30 percent of maximum income for each household size. Investors can face recapture if the number of qualified low income units is not maintained for 15 years.

In 1987, the National Council of State Housing Agencies published a report prepared by the Joint Center for Housing Studies of the Massachusetts Institute of Technology and Harvard University describing use of the credits on a state by state basis. Most state housing agencies were providing the credit for acquisition and/or rehabilitation of smaller, 100 percent low-income projects in which owners anticipated using other federal or state subsidies as well. As of the date of the report, the overall use of tax credit authority had been relatively low, due largely to a lack of demand. Reasons given for the low demand included: (1) the lag time for states to start a new credit program and for developers to plan projects, (2) the lack of federal tax regulations for the credit, (3) the delay in enacting technical corrections legislation, (4) the income and rent restrictions for credit-assisted low-income units, (5) the inadequate size of the credit, and (6) the limited availability of other subsidies to combine with the credit.

According to the report, nearly 80 percent of 1987 credit projects also involved some other federal or state subsidy. Primary sources of additional assistance included the Farmers Home Administration Section 515 program, Section 8 Moderate Rehabilitation Program, other federal subsidies, including Community Development Block Grants, and state/local subsidies. The report indicates that some of those projects which did not utilize additional subsidies may have benefitted from such factors as favorable local conditions (e.g., a combination of low development costs and high area median incomes); the use of Section 8 certificates or vouchers to attract tenants; or the relatively small size of the project. The report indicated little combination of the credit with tax exempt multifamily bond financing.

According to figures obtained from the National Council of State Housing Agencies (NCSHA), which has updated the 1987 report to June, 1988, and projected credit activity through 1989, about 19 percent of the states' 1987 authority was actually allocated. The NCSHA estimates that about 63 percent of the total 1988 authority will be allocated, and that about 73 percent of the 1989 authority will be used. Under the Virginia program, which is administered by the VHDA, allocations in 1987 amounted to less than ten percent of $7.23 million in 1987. In 1988 and 1989, however, the VHDA expects to allocate substantially 100 percent of the annual available credit authority of about $7.1 million.

A late 1988 surge in applications in Virginia may be attributed to the fact that developers have had sufficient time to become familiar with the credit and to put together deals using it. In addition, some 50 percent of the 1989 credits are allocated to four large projects, each in excess of 200 units, in metropolitan areas. Each such project has special advantages (such as low land costs) which facilitate the running of the requisite numbers. It is unlikely that the federal credit, standing alone without additional subsidies or special situations, would be adequate to foster such affordable housing development. The federal credit, then, particularly in rural Virginia locales where incomes are lower than in their urban counterparts, may still be an insufficient incentive for prospective developers' participation. Even where developers elect to proceed, the effects of the credits on actual rent levels may not be sufficient to bring them within reach of most lower-income households.

Increasing the incentive by piggybacking a state tax credit on the existing federal program could increase the developers' incentive and produce more affordable rent levels for tenants. State credits would be most effective in combination with federal credits as well as any other available devices to lower developer costs, and if federal credits are not extended past the current sunset date of December 31, 1989, the benefits of a state program would be seriously diluted. The federal tax credit, according to VHDA, now comes very close to being usable for generating low- and moderate-income housing development in most urban areas of the Commonwealth. An additional state tax credit would help to ensure that the federal credit is usable in all metropolitan areas, as well as some rural areas, of Virginia.

Therefore, the Virginia Housing Study Commission recommends the adoption of legislation enacting a low-income housing tax credit in the Commonwealth, effective January 1, 1990.

5. Unclaimed Lottery Prizes

In some states, notably California, unclaimed lottery prize money amounts to some $50 million annually. No projections currently exist for unclaimed Virginia State Lottery prize money. Because of the documented growing need for affordable housing in Virginia, and because the Virginia Housing Foundation has been created to assist in marshalling individual and private sector forces to work in partnership with federal, state, and local government to foster such housing, the Virginia Housing Study Commission recommends that unclaimed Virginia State Lottery prize money be assigned to such Foundation for use as its Board of Directors deems appropriate.

6. Maintaining the Inventory of Assisted Rental Housing

Federal officials discussing assisted rental housing for low- and moderate-income households state that there are presently 4.2 million such units in the United States and that a million of these units have been provided since 1981. What is usually not mentioned is that the programs and funding that developed this housing are finite, with predictable life expectancies based on the legislation and policies that created them. There is no "safety net" for low-income housing tenants. It is clear and certain that tens of thousands of these units could vanish in the foreseeable future, and no major government program is yet in sight to replace them.

The removal from the affordable housing market of units developed under two rental housing programs assisted by the U.S. Department of Housing and Urban Development (HUD) pose a potentially catastrophic scenario for low- and moderate-income tenants in Virginia and across the United States.

Under the Section 8 Moderate Rehabilitation Program, Section 8 existing units are set aside for specific rental property where the owner agrees to upgrade the housing units to meet HUD Housing Quality Standards. The Annual Contribution Contract (ACC) has a maximum term of 17 years with a 15 year limit for the Housing Assistance Payment Contract between the public housing authority and the property owner. The total Contract term for any unit is 15 years or the remaining term of the ACC, whichever is less. At present Virginia has 3,626 Section 8 Moderate Rehabilitation Units placed under ACC since 1980. The following chart indicates projected unit expiration dates based on a maximum contract term of 17 years.

ACC Expiration by Year	**Cumulative Total** Units	*Persons
1997	951	2644
1998	1455	4045
1999	1903	5290
2001	2581	7175
2002	3524	9797

*Average of 2.78 persons per unit.
Units under this program were allocated to Virginia during the past three years as follows: 1985 - 687, 1986 - 162, and 1987 - 200, for a total of 1,049 units.

Housing units developed as part of HUD Insured Privately-Owned Projects are also at risk. Three of the early HUD assisted multifamily housing programs are the Section 221(d)(3) and 221(d) BMIR programs, enacted in 1961, and the Section 236 program, enacted in 1968. The initial HUD subsidy took the form of reduced interest rates on the permanent mortgage. Depending on the program, this could have been as low as one to three percent. Participating profit-motivated developers had to agree to lease apartments to low- and moderate-income tenants based on a HUD rent formula for a minimum of 20 years, the prepayment restriction period. The full HUD insured mortgage term and subsidy is 40 years. Not-for-profit sponsors cannot prepay for the entire 40 year term of mortgage.

There were two main incentives for profit-motivated sponsors to develop housing under these programs. They could benefit from tax shelter advantages and they could earn profits by attracting limited partners who paid a premium to obtain a share of these tax shelters through syndication. The tax shelter benefits came mainly from accelerated depreciation of the property over a period of 15 years. For the most part these tax advantages have expired and cannot be restored by project re-syndication because of provisions of the 1986 Tax Reform Act. In addition, these programs provided very low (six percent) return on original equity (about ten percent of the development cost). There is, therefore, little reason for owners to retain their properties as profitable investments.

Aside from the poor investment return, other factors also place these multifamily projects at risk.

- Older well located projects in good condition that were built in sound areas originally or in fringe areas that have since undergone extensive increases in value are extremely vulnerable. Many of these projects are fully occupied by tenants paying maximum rents with almost no apartments assisted with special Loan Management Set Aside (LMSA) Section 8 subsidies. (LMSA was provided for projects with high vacancy rates in weak market areas). The outstanding mortgages for these now high valued developments were typically $10,900 to $15,000 per unit. Current appraisals would no doubt place their value in the range of $50,000 or more. Modest cosmetic improvements would place them firmly in the middle income or condominium market bracket, increasing rents from the present $200-$300 monthly level to perhaps twice this amount. By exercising the prepayment option owners are relieved of all HUD requirements on investment return, rent limits, and tenant eligibility. They can do whatever they wish to improve their cash-flow situation. In Virginia, developments in this category are located primarily in northernVirginia and Tidewater.
- Projects built during the same period in locations that do not provide conditions for upscale value, sale, or conversion face a different threat to continued long term low-income use. Indeed, many of the projects which are in low-income market areas were "bailed out" of difficulty with heavy infusions of LMSA support in the mid and late 1970s. Since LMSA's have a maximum term of 15 years these subsidies will begin to expire in the 1990s, leaving the projects without vital financial support. Many of these projects need modernization and are burdened with the cost of additional mortgages imposed as a result of "transfer of physical assets" (resale by original owners) and major repairs. A worst case possibility for troubled projects is that owners may abandon them through default or sale to speculators. Although they may continue to house low-income families, the units will likely be substandard.

The data outline below was extracted from a special report prepared for Virginia by the Planning and Procedures Division, HUD Headquarters. These data estimated the phase-out of projects by year and impact. Projects considered to be marginal were not included in the high or low value columns.

Year of 20 Year Prepayment Expiration	Number of Project	Units	High Value Projects	Units	Low Value Projects	Units
1987	1	68	1	68	0	0
1988	2	315	1	207	1	108
1989	0	0	0	0	0	0
1990	6	928	5	853	1	75
1991	5	632	3	526	1	26
1992	8	1152	5	702	3	446
1993	14	2055	11	1683	2	372
1994	13	2100	4	1349	7	751
1995	14	2055	6	981	5	1007
1996	17	2696	9	1179	5	1029
1997	7	1025	3	475	3	387
1998	3	494	0	0	3	494
1999-2000	0	0	0	0	0	0
2001	1	198	0	0	1	198
TOTALS	91	13,718	48	8023	32	4893

The Housing Authorization Bill (S. 825), signed by President Ronald Reagan February 5, 1988, contained several provisions designed to have an impact on the potential loss of units in the low-income housing inventory. Under the requirements of the Emergency Low-Income Housing Preservation Act of 1987, the owner of Section 236 or 221(d)(3) BMIR and 221(d)(3) market rate projects with rent supplements or Section 8 assistance must file a notice of intent to prepay with HUD, which will then provide the owner with information the owner needs to prepare a plan of action for HUD approval.

After receiving the plan of action, HUD could enter into agreements in which owners would receive incentives to maintain the low-income status of the housing (e.g., increase in return on investment). The HUD approval of the plan of action would be conditioned on findings that incentives are necessary, that they represent the least costly alternative to the federal government, and that the owner will continue to maintain the affordability of the project. Upon a finding that alternative housing is available and that the economic hardship to current tenants would not be increased, HUD could approve the termination of low-income affordability restrictions.

The Virginia Housing Study Commission in 1989 will study the potential loss of thousands of assisted rental housing units, identifying the units, their owners, and their locations, and develop strategies that will assist affected localities maintain the units in their present affordable status. The Virginia Housing Development Authority and the Department of Housing and Community Development will assist the Commission in this endeavor.

7. Virginia Housing Research and Data Center

Currently, Virginia has no university-based center to focus on the broad research, data, and policy issues that affect the field of housing. While many of the state's universities offer courses on housing issues and sponsor research and data collection, the study of housing has generally received low priority, especially in the area of affordable housing.

The creation of the Virginia Housing Research and Data Center at Virginia Polytechnic Institute and State University, with the cooperation of other state universities and housing agencies, would provide an ongoing mechanism for bringing the significant resources of Virginia's institutions of higher education to bear on those housing issues which play so fundamental a role in the ongoing economic stability and growth of the Commonwealth. As a leading land grant university, Virginia Tech is in a unique position to focus on myriad issues that relate to housing. The University which has a large and varied faculty competent in subjects that touch nearly every aspect of housing.

Therefore, the Virginia Housing Study Commission recommends the establishment of the Virginia Housing Research and Data Center at Virginia Polytechnic Institute and State University, with funding not to exceed $150,000. The Commission further recommends that the proposed Housing Research Center at Virginia Tech be an interdisciplinary study, research, information, and resource facility for the Commonwealth of Virginia, utilizing the full capabilities of faculty, staff, libraries, and laboratories to expand the body of knowledge pertainig to housing research and development. Finally, the Commission recommends that the Housing Research Center work in cooperation with federal, state, and local agencies which address housing related issues; Virginia institutes of higher education; housing trade associations and industries; and community-based housing advocates to serve as a resource and to assist in developing creative solutions to meet the housing needs of the Commonwealth.

CONCLUSION

Since the publication of the 1987 Housing Study Commission Annual Report, remarkable strides have been made to promote affordable housing throughout Virginia. The creation and capitalization of the landmark Virginia Housing Partnership Fund, and its subsequent swift implementation by the Department of Housing and Community Development; the convening of the historic and widely acclaimed Governor's Conference on Housing, where announcement was made by Governor Gerald L. Baliles of the establishment of the Virginia Housing Foundation; the establishment of a state income tax check-off provision to promote affordable housing; the ongoing allocation of monies under the Housing Fund established by Virginia Housing Development Authority—these are but a few of the myriad avenues of progress during the past year.

With its 1988 Annual Report, the Virginia Housing Study Commission presents recommendation equal in significance and scope to those presented last year. Much has been accomplished; much remains to be accomplished to ensure affordable housing for every Virginian. The Commission is of the opinion that, if enacted, its 1988 recommendations will help to move the Commonwealth even closer toward that goal. With its 1988 mandate accomplished, the Housing Study Commission is now laying the foundations for a challenging agenda in 1989.

Virginia Housing Study Commission 1988 Subcommittees

Prevention of Homelessness

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South Hill, Virginia

The Honorable James F. Almand
Virginia House of Delegates
Arlington, Virginia

Mr. Richard J. November
President, Delami Corporation
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Ms. Sue M. Capers
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Mr. Shirley Culpepper
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Ms. Linda M. Tenney
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Congregate Facilities

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The Honorable Clinton Miller
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Virginia Municipal League
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