

Setting a Housing Policy Agenda

Summary of Key Issues Within a Framework of Five Broad Policy Areas:

1. Residential Land Use & Development
 2. Housing Subsidies
 3. Mortgage Financing
 4. Housing & Environmental Standards
 5. Coordination of Housing & Community Services
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1. Residential Land Use & Development

Issue	The supply, and geographic distribution of housing is inadequate to meet the needs of Virginia's population and sustain Virginia's long-term economic growth
Desired Outcome	A supply of quality housing adequate to meet the needs of citizens of all economic means in locations providing neighborhood choice and access to economic and social opportunities
Policy Arenas	• Local comprehensive planning and land use regulation • Regional planning • State transportation and economic development planning • State and local strategies for urban and rural revitalization • State agency allocation of housing resources

Specific Problems

Metropolitan Growth Issues

- Growth management and zoning practices are restricting the supply of new housing within metropolitan areas and significantly adding to housing costs
- Shortfalls in production of workforce housing in proximity to employment centers are lengthening commutes, exacerbating traffic congestion, adding to inefficient sprawl, and contributing to local labor shortages and overcrowding
- Land use regulations continue to foster low density development patterns in metropolitan areas despite the growing shortage and escalating cost of developable residential land, and the loss of open space
- Residential land use and development patterns continue to create accessibility barriers for people with disabilities

Urban and Rural Revitalization Issues

- Low-income households and people with disabilities lack sufficient access to affordable housing outside neighborhoods where poverty is concentrated
- Concentration of poverty is contributing to:
 - disinvestment in older urban neighborhoods and non-growing rural areas
 - isolation of poor households from economic and social opportunity
 - anti-social/criminal behavior

1. Residential Land Use & Development (continued)

Specific Problems (continued)

Urban and Rural Revitalization Issues (continued)

- Weak demand in non-growing and slow-growing areas contributes to disinvestment in older housing—An aging and deteriorating housing stock limits quality housing choices, undermines economic competitiveness, and contributes to a cycle of decline
- Cities, aging suburbs, and rural localities lack adequate financial resources to address blight arising from concentrations of older, poorly-built and/or obsolete housing

Unresolved Policy Questions

How can/will Virginia:

- Ensure the production of adequate affordable housing for all citizens?
- Coordinate state investments in transportation and economic development with provision of needed housing?
- Foster regional cooperation and develop the capacity for more effective planning that addresses housing needs that transcend local boundaries?
- Address the growing shortage and rising cost of developable residential land?
- Fairly balance private property rights with broader community needs?
- Revitalize and diversify older urban neighborhoods and rural communities?
- Fairly allocate the costs associated with economic growth?

Barriers to Resolution

- Reluctance of the public in growing metropolitan areas to accept to the choice between:
 1. increased residential densities to offset shortages of developable residential land; or
 2. increased subsidies to maintain the affordability of housing within the current land use, zoning and regulatory structure

1. Residential Land Use & Development (continued)

Barriers to Resolution (continued)

- Lack of consensus on how to fairly allocate the costs associated with metropolitan growth including housing, transportation, and other public infrastructure and services
- Market forces which promote gentrification of attractive, well-located neighborhoods in large metropolitan areas, thereby isolating affordable housing opportunities to older urban neighborhoods and new development on the metropolitan fringe
- Inadequate fiscal capacity of localities—especially central cities—that contributes to the view that housing is a “cost” rather than a community asset
- Extension of commuting distances well beyond individual localities, so that the linkage between local job growth and local housing needs is no longer clearly understood

2. Housing Subsidies

Issue	The growing gap between housing costs and incomes is increasing the need for direct and indirect housing subsidies. At the same time, existing communities frequently resist new assisted housing developments, creating the need for a new consensus on successful means for integrating housing serving low-income households into the broader community.
Desired Outcome	Sufficient subsidies and improved subsidy models to enable low- and moderate-income households to attain adequate, decent, affordable housing in quality living environments and with access to employment and social opportunities
Policy Arenas	• Appropriation/authorization of direct/indirect public subsidies • Public agency allocation/use of public subsidies • Enactment of public incentives or regulatory requirements for privately generated direct/indirect housing subsidies

2. Housing Subsidies (continued)

Specific Problems

- Since 2000, housing costs have escalated at a far higher rate than income growth—today, even moderate-income households have difficulty accessing affordable housing within reasonable proximity to their employment
- Rising land costs represent a major share of the increased cost of all types of housing—however, subsidy tools and resources to offset high land costs are extremely limited (e.g., land costs for multifamily developments cannot be subsidized through the federal Low Income Housing Tax Credit program)
- Federal appropriations for housing subsidies—especially those relied on by vulnerable low-income populations (e.g., disabled, elderly, homeless)—have remained flat, while need has grown. Virginia’s ability to carry out Olmstead initiatives, address senior assisted living needs, and end chronic homelessness, all require additional subsidies
- Concern about concentrated poverty has increased public antipathy toward large, affordable rental developments—however, mixed-income housing is not being developed on a large enough scale either to meet the needs of a growing population or fully offset the loss of existing affordable units through demolition or opt-out of subsidy programs

Unresolved Policy Questions

- What role(s) can/will Virginia play in ensuring adequate housing subsidies—e.g., traditional deference to federal responsibility through advocacy for increased/maintained federal spending; an enabling role for local governments through greater authority for/leverage of local revenue sources; and/or a more active role through state appropriations/dedicated state revenue sources?
- What should be the focus of any state subsidy appropriations: rental development subsidies? individual rent subsidies (e.g., housing vouchers)? homeownership assistance? services such as financial literacy training/housing counseling?
- How should the goal of deconcentrating poverty be implemented in state policy? What is the appropriate balance between subsidies that assist in the revitalization of poor neighborhoods and subsidies that support the creation of affordable housing opportunities in low-poverty communities?
- How should responsibility be allocated for ensuring adequate housing?

2. Housing Subsidies (continued)

Barriers to Resolution

- Significant competition from other public spending priorities (e.g., transportation, education, and health care)
- Reluctance of the state to assume responsibility from the federal government for providing funds for deep housing subsidies—fear of new major long-term spending commitments
- Perception that existing resources are able to adequately address development subsidy needs without significant state appropriations

3. Mortgage Financing

Issue	A growing number of homeowners are at risk of foreclosure due to unwise borrowing choices that result from limited financial literacy and/or deceptive, predatory or discriminatory lending practices.
Desired Outcome	Financially literate homebuyers able to make informed borrowing choices with adequate protection from deceptive, predatory, or discriminatory lending and servicing practices
Policy Arenas	• Federal and state regulation of mortgage lending • Federal, state and local administration of housing programs • Homebuyer education and housing counseling, consumer credit counseling and K-12 financial literacy programs • Fair housing enforcement

Specific Problems

- Due to extremely high home prices, increased numbers of buyers have taken on variable rate mortgages or new alternative types of variable cost loans that are now becoming or could become unaffordable as interest rates rise
- Increasing numbers of low-income, minority, and senior households—especially those with weak credit and/or limited financial literacy—are purchasing homes, refinancing homes, or taking on second mortgages using high-cost, nonprime loans that are not in their financial best interest and that put them at risk of foreclosure

3. Mortgage Financing (continued)

Specific Problems (continued)

- Lending is increasingly tied to credit scores, but many low-income households have made limited use of credit and therefore are at risk of higher borrowing costs due to their lack of documented payment history

Unresolved Policy Questions

- How can/will Virginia balance the desire for broad access to housing credit with appropriate levels of consumer protection against unfair/unwise borrowing?
- What is the appropriate level of reliance on public education versus regulation of lending practices?
- What role can/will Virginia take in this arena—i.e., deference to action by federal regulators to establish uniform nationwide standards, or a more active direct state role in setting regulatory boundaries?

Barriers to Resolution

- High level of borrower dependence in high-cost areas on alternative mortgage products in order to qualify for home purchase
- High level of usage of mortgage brokers by minority homebuyers
- Lack of consensus on a definition of “predatory” lending and servicing practices and the extent of governmental responsibility to protect consumers from unsound borrowing choices
- Lack of detailed data to document the extent of predatory lending/servicing practices, their impact on borrowers, and the level of harm incurred by communities as well as individuals

4. Housing & Environmental Standards

Issue	The marketplace has been constrained in fully responding to a number of public concerns about residential accessibility, energy conservation, safety, and environmental hazards.
Desired Outcomes	• Increased marketplace acceptance of Universal Design concepts and energy conservation and green building practices • Cost-effective solutions to safety issues and the remediation of environmental hazards
Policy Arenas	• State and local allocation of housing program resources • State enforcement of federal environmental requirements • Statewide uniform building and safety regulations

Specific Problems

- Integration of people with disabilities into local communities, and the desire of a growing senior population to remain independent, require increased housing accessibility—The private market is responding, but not as quickly as needed in order to fully address the needs of low- and moderate-income households
- Environmental, energy, and health concerns have heightened public desire for: increased residential energy efficiency; expanded use of green building practices; cost-effective solutions to the remediation of environmental hazards and safety issues in existing housing (e.g., asbestos, lead-based paint); and environmental remediation of brownfield sites to enable their residential reuse
- Some local communities with substantial older and poorer quality housing stock, lack sufficient resources to adequately enforce existing building regulatory requirements

Unresolved Policy Questions

- How can/will Virginia accelerate marketplace adoption of preferred residential design/building practices—i.e., will Virginia rely on education and financial incentives; or will Virginia require adoption of certain housing standards and practices (e.g., Universal Design, sprinklers, energy efficiency, green building, Internet wiring, etc.) through state codes or other state and local regulations?
- Is a consistent state approach preferred, or should policies for each issue be considered separately on a case-by-case basis?

4. Housing & Environmental Standards (continued)

Barriers to Resolution

- Public preference for traditional residential designs that constrains the marketplace acceptance of Universal Design standards—especially in regard to zero-step entryways
- Real and perceived costs of alternative design standards
- The very low income of many persons needing alternative residential design
- Resistance of developers to required use of design standards not perceived to have broad market acceptance
- Substantial costs associated with the remediation of many environmental and safety hazards

5. Coordination of Housing & Community Services

Issue	Very low-income populations (disabled, elderly, homeless, ex-offenders, etc.) require a coordinated array of local services in order to live independently (including housing, human services, transportation and employment) that are inadequate in most Virginia communities
Desired Outcome	Enhanced coordination of housing assistance and referral with other community services required by very low-income populations in order to sustain independent living and avoid unwanted and costly institutionalization
Policy Arenas	• State Olmstead initiatives to provide non-institutional, community living alternatives for people with disabilities • States regulation of and funding for assisted living alternatives • State policy academy to end chronic homelessness • State initiatives to address prisoner re-entry issues

5. Coordination of Housing & Community Services

(continued)

Specific Problems

- Significant numbers of people with disabilities are living in institutions or with family caregivers due to their inability to obtain affordable housing and support services in their local communities
- The Olmstead decision requires states to take steps to provide viable community alternatives to institutionalization; however, the lack of affordable, accessible housing remains a major barrier to fulfillment of that obligation
- Growing numbers of seniors have difficulty living independently in their homes, but lack adequate access to either affordable home-based assistance or affordable, quality residential assisted living alternatives
- Many homeless people are unable to access the affordable permanent housing and stable support services they need in order to regain self-sufficiency —this includes ex-offenders reentering local communities, and is a major factor in their high rate of recidivism

Unresolved Policy Questions

- How can/will Virginia enhance coordination of housing assistance with other community services to very low-income populations that rely on public services in order to retain their independence?
- What types of support can/should Virginia provide to support effective local service consortiums (e.g., training/capacity building, administrative funding, direct service subsidies, incentives)?
- Are existing state interagency administrative structures sufficient (e.g., the Olmstead Commission, Homeless Policy Academy)?
- How can a “Housing 1st” model be effectively implemented throughout Virginia for a variety of populations (e.g., people with severe physical disabilities, mentally ill, substance abusers, homeless, ex-offenders, etc.)?

Barriers to Resolution

- Federal, state and local program funding and regulatory silos that impose barriers on the effective coordination of resources across agencies and programs

5. Coordination of Housing & Community Services

(continued)

Barriers to Resolution (continued)

- Inadequate inter-agency coordinating structures to achieve shared priorities and alignment of programs and services
- Long waiting lists for housing assistance and many types of residential support services—difficulty coordinating multiple separate waiting lists for housing and other community services
- Inadequate rental subsidies to fully support “Housing 1st” initiatives
- Strong NIMBYism toward almost any permanent housing solution for very low-income populations, especially for homeless persons, people with mental disabilities, recovering substance abusers and ex-offenders