

**1979 ANNUAL REPORT OF THE VIRGINIA HOUSING
STUDY COMMISSION
REPORTED TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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COMMONWEALTH of VIRGINIA

Virginia Housing Study Commission

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TO: The Honorable John N. Dalton
Governor of Virginia
and
The General Assembly of Virginia

The report contained herein is pursuant to the directions of the Virginia General Assembly and to House Resolution 35 of the 1979 Session of the General Assembly of Virginia.

This report comprises the response by the Virginia Housing Study Commission to the directive that it study the ways and means best designed to further utilize existing resources and to develop facilities that will provide the Commonwealth's growing population with adequate housing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alan A. Diamonstein".

Alan A. Diamonstein
Chairman

AAD/rlc

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PREFACE

The Virginia Housing Study Commission was created during the 1970 Session of the General Assembly. Its charge was to study the ways and means best designed to provide the Commonwealth's growing population with adequate housing. The Commission was directed to examine the laws of Virginia to determine whether or not these laws were adequate to meet the present and future housing needs of all income groups in this State. Lastly, it was directed to recommend such changes in such laws as it deemed appropriate.

In the past nine years, the Housing Study Commission has introduced legislation aimed at advancing its goal of a decent home and a suitable living environment for all Virginians. Virginia Housing Study Commission proposals that have been enacted include: the formation of an Office of Housing which is presently the Office of Housing Services within the Department of Housing and Community Development, the Uniform Statewide Building Code, the Virginia Residential Landlord and Tenant Act, the Virginia Housing Development Authority Act and amendments to the Redevelopment and Housing Authorities Act.

Additionally, the Commission has engaged in planning programs centered around the selection of temporary housing sites for disaster victims in Southwest Virginia. The Housing Study Commission, along with the Department of Housing and Community Development, conducted an extensive study in these disaster prone areas that will assure site availability should a disaster occur.

This document contains brief reports presented to the Commission at its work session. These reports were presented by state and federal housing agencies who gathered with the Commission to seek comprehensive solutions to housing concerns. This year the following agencies and boards attended: the Virginia Housing Development Authority and its Board of Commissioners, the Department of Housing and Community Development and its Board, the area manager of the Department of Housing and Urban Development, a representative from the Washington area office of the Department of Housing and Urban Development, and the State Director of the Farmers Home Administration. The Commission was encouraged by the cooperation and diligence of these groups during this work session and throughout this year and expresses its sincere appreciation for their dedication and hard work.

In spite of the accomplishments noted and the dedication and hard work of those concerned with housing the people of Virginia, there still remains much to be done. The basic housing problem, as noted in our report the "Housing Crisis", still remains:

"...there is not a sufficient supply of sound housing in suitable locations with adequate facilities for all the population at prices or rents they can afford. The housing supply does not meet the overall housing demand and household formations. Sound housing units available to low and moderate income groups are in critically short supply."

The aggravated effects of double digit inflation, tight money and high energy costs have placed housing opportunities out of the reach of many Virginians

Consequently, the report and recommendations contained herein are not a panacea for our housing problems. Instead, we offer findings and recommendations that will hopefully provide some relief to our citizens in their search for decent and affordable housing.

The Commission will continue its role as an essential and responsive legislative study group contributing to the production and maintenance of affordable housing in the Commonwealth.

ALTERNATIVE METHODS FOR MORTGAGE FINANCING

In accordance with HJR 35, passed by the last session of the General Assembly, the Virginia Housing Study Commission investigated alternative methods for reducing the cost of mortgage financing for low and moderate income families.

The Commission appointed a Subcommittee comprised of representatives from the homebuilding industry, primary mortgage investment establishments, secondary mortgage investment establishments, the Municipal League, Virginia Housing Development Authority, the State Board of Housing and Community Development and the low and moderate income groups to study and recommend alternative mortgage finance mechanisms to the Commission. The following recommendations are extracted from their report.

A variety of possible measures for reducing mortgage finance costs were evaluated by the Subcommittee. The Subcommittee's appraisal of each measure is listed below. The methods that received a favorable recommendation could be used both to reduce or at least stabilize the cost of mortgage financing and to increase the availability of funds.

However, it must be recognized that financing costs to the housing consumer are primarily affected by the cyclical nature of national monetary policies. During periods of inflation and recession, monetary stabilization policies tend to either increase or decrease the cost and availability of mortgage credit. This unstability tends to impact particularly the low-to-moderate-income households that cannot afford mortgage finance costs when interest rates are high.

Local Issuance of Tax-Exempt Bonds for Housing

In a typical mortgage bond issue, a local government or housing authority will issue a revenue bond for the purpose of making low-interest mortgage loans for housing. The lower tax-exempt interest rates on the bonds allow a local government to relend the bond proceeds to individuals at approximately two percentage points below conventional home mortgage interest rates.

An examination of Section 10, Article VII of the Constitution of Virginia (which enumerates the restrictions placed on the power of localities to incur debt), as well as various interpretations of what the General Assembly considers a proper function of local government indicates that a housing bond program for low-and moderate-income persons would serve a public purpose, and therefore could be established without any constitutional changes. However, because there is no specific statutory authorization for local governments to issue housing bonds, enabling legislation by the General Assembly would be required to insure the legality and marketability of the bonds.

Further, the Subcommittee's ability to make definitive recommendations in this area is hampered by the Ullman Bill currently under consideration in Congress. The original version of this legislation would have the effect of

prohibiting local and State agencies (such as VDHA) from issuing tax-exempt bonds for mortgage financing. The original version has undergone several changes, but final disposition of the Bill has not yet occurred. The disposition of this Bill is extremely crucial to governmental involvement in the mortgage market.

Recommendation: The Subcommittee recommends to the Housing Study Commission that no legislation be enacted to allow local governments to issue tax-exempt bonds for mortgage financing until the final disposition of the Ullman Bill is ascertained.

Secondary Mortgage Market

Secondary mortgage market entities purchase mortgages generated by primary lending institutions such as commercial banks, and savings and loan associations. Because twenty-five to thirty year mortgage obligations may not be as attractive as shorter term investments with higher yields, the secondary mortgage market provides the needed liquidity to stimulate the participation of financial institutions. The prime lenders can originate the mortgages, sell them in the secondary market, generate income from the continued servicing of the mortgage, and then use the proceeds from the mortgages sold to make additional loans. Several federal and semi-public agencies make a secondary market for mortgages at the federal level. These agencies (FNMA-Federal National Mortgage Association, GNMA-Government National Mortgage Association, and FHLMC-Federal Home Loan Mortgage Corporation) have expanded the capital in the secondary market available for purchasing mortgages from prime lenders.

Yet the need exists to expand the secondary mortgage market further. The federal and semi-public agencies do not have unlimited resources with which to buy mortgages and therefore cannot purchase everything the prime lenders wish to sell. Limited staff, facilities, or location in low-volume market areas may prevent some prime lenders from participating in the programs of these agencies. The result is that these lenders often must limit their mortgage loan activity because of an inability to replenish their funds through the sale of mortgages in the secondary market.

Several strategies exist for increasing the secondary mortgage market in Virginia, particularly with respect to mortgage purchases from those rural prime lenders least likely to be able to participate in existing secondary market programs.

Virginia Housing Development Authority (VHDA)

This public organization could reactivate its mortgage purchase program in which existing mortgage loans are purchased from private financial institutions in order to replenish their mortgage loan funds.

Recommendation: Legislation currently permits this alternative. No legislation necessary.

Life Insurance Companies

Life Insurance reserves originate on a contractual basis and therefore offer a relatively stable fund for investing. To achieve maximum return, the companies place their resources in a wide range of financial assets. During periods of higher interest rates, more money generally can be made on investments other than mortgages. Since the mid-1960's, many life insurance companies have left the secondary mortgage market for this reason.

Recommendation: The Subcommittee favors legislation that would stimulate life insurance companies, both foreign and domestic, in becoming active in the secondary mortgage market.

Virginia Supplemental Retirement System (VSRS)

The Retirement System Trust Funds, which in 1979 exceeded 1.5 billion dollars, is another stable source of funds for expanding the secondary mortgage market in Virginia. A certain percentage of these trust funds could be made available for mortgage investments. Section 51.111.24 of the Code of Virginia states that "the Board (of Trustees) may also, in its discretion, invest such trust funds in first deeds of trusts on residential real property limited to twenty per centum of total trust fund investments based on cost." The Board, as yet, has never exercised this investment option.

Recommendation: The Subcommittee recommends that the Housing Study Commission encourage VSRS to invest in the secondary mortgage market.

Other State Funding Sources

Recommendation: The Subcommittee recommends to the Housing Study Commission that State funding sources available for investment (i.e., the Literary Fund) be used in the secondary mortgage market. The Subcommittee further recommends consideration of amendment to the State law if there is legislation prohibiting State participation in the secondary mortgage money market.

Savings Incentives

Savings and loan associations are limited by law, regulation and custom to the primary role of mortgage lending institutions. While other financial institutions such as commercial banks and life insurance companies may diversify their investments, associations must allocate the bulk of their funds to the financing of housing. In 1966, Congress imposed interest rate controls on commercial banks, FDIC-insured mutual savings banks, and all savings and loan association members of the Federal Home Loan Bank

System. One result has been that in periods when money is tight, due to Federal monetary policies to restrict inflation, depositors withdraw their savings in favor of higher yield shorter-term market investments. This outflow of funds leaves the savings and loan associations, the nation's primary residential lenders, with fewer funds for mortgage loans.

Recommendation: The Subcommittee recommends that the Housing Study Commission consider legislation to exempt interest on savings so as to stimulate the supply of mortgage money for housing. While the Subcommittee does not condone credit allocation, it recognizes that the vast majority of savings would be utilized by lending institutions for mortgages due to the make up of the investments of local lending institutions.

Non-Standard Mortgage Instruments

Two innovative mortgage alternatives exist for modifying consumer housing costs--variable interest rate and graduated payment mortgages. In each, the interest rate and monthly payments are not fixed as with conventional mortgages.

The variable rate mortgage (which includes such variations as "roll over loans" and "reverse annuity mortgages") allows the interest rate to vary with conditions in financial markets over the loan's term. These mortgages are attractive to lenders, and investors in the secondary mortgage market, because they are not locked into long-term fixed rate investments. One result is that more mortgage money has been available in the states where this alternative has been used.

Because interest rates fluctuate, the consumer may pay more at times than with a conventional mortgage, or less. The borrower may benefit particularly if the mortgage is acquired when rates are extremely high, as they eventually decrease in time. Since there is a risk involved, many lenders offer incentives to encourage the use of the variable rate alternative, such as initial lower than conventional mortgage interest rates, no prepayment penalties, and assumability.

Section 6.1-330.37 ("Certain contracts enforced at rate of interest stated therein") of the Code would have to be amended to permit the use of variable rate mortgages in Virginia. Currently, a General Assembly joint subcommittee composed of members from the Senate Commerce and Labor Committee and the House Corporations, Insurance, and Banking Committee is considering this issue. Prior to any authorization, the following aspects of variable rate mortgages need to be addressed.

- *Limits on how much the rate may increase;
- *Tieing the rate increases to an index beyond the lender's control;
- *Frequency of rate increases.

Graduated payment mortgages are less complicated. They already are in use in Virginia. With such a mortgage, monthly payments start at a lower level than with a standard mortgage, and then increase gradually each year for a stated period--5 to 10 years--after which payments remain fixed for the rest of the mortgage term at a rate higher than a comparable conventional note. The interest rate does not vary. The lower payments enable people either to buy a house sooner than they otherwise might or to purchase a more expensive one. Lower payments permit a family to use more of its income in the early years of the mortgage for purposes other than housing.

But a buyer who chooses this alternative will pay more over the full term of the loan. The possibility also exists that a family's income may fail to rise enough over the years to meet the schedule of mortgage payment increases. To protect the consumer, it would be beneficial to require a comparison of the terms of the graduated mortgage with the terms of the standard fixed-payment mortgage at the time of application to assure that the advantages, disadvantages, and risks are understood.

Recommendation: The Subcommittee recommends to the Housing Study Commission that legislation allowing various non-standard mortgage instruments including, but not limited to, roll over loans, and reverse annuity mortgages, be enacted. The Subcommittee further recommends that legislation be considered which would lengthen the maturity allowed on such non-standard mortgage instruments.

Other Alternatives

The Subcommittee also studied other alternatives for mortgage financing. These alternatives are listed below:

- Larger VHDA Single Family Mortgage Bond Issues
- Public Loan Insurance Programs
- Refinancing of Existing Units
- Second Deeds of Trust
- Direct State Housing Subsidy

After consideration and review of these alternatives, the Subcommittee found some to be infeasible and others currently allowed by law.

LOCAL DISAPPROVAL OF SECTION VIII HOUSING

Section 36-55.39 B of the Code of Virginia allows a locality to disapprove a Virginia Housing Development Authority multi-family project proposed for that locality. These multi-family projects utilize funds under the U. S. Department of Housing and Urban Development's (HUD) Section VIII program.

The Richmond area office of the Department of Housing and Urban Development notified all Community Development Block Grant (CDBG) recipients that the exercise of this option could result in either disapproval of a community's Housing Assistance Plan (HAP) or provide a basis for further action in the way of sanctions by HUD. An approved HAP is a prerequisite for local governments to receive CDBG funds from HUD.

The rationale for HUD's position is the statutory requirement for a Housing Assistance Plan. Among other provisions, the statutory requirement is that "the HAP should facilitate the reduction of the isolation of income groups within communities and geographic areas, affirmatively further fair housing and promote the diversity and vitality of neighborhoods."

It appears that a local disapproval of a VHDA Section VIII project is viewed by HUD as a violation of the contractual agreement entered into when a locality accepts Community Development Block Grant funds.

The Virginia Chapter of the American Planning Association requested the Commission to explore the possibility of the Commonwealth acting as a mediator in this matter.

The Commission, therefore, recommends:

THAT AN ATTORNEY GENERAL'S OPINION BE REQUESTED TO DETERMINE WHETHER § 36-55.39 B VIOLATES THE PROVISIONS OF THE FEDERAL OR STATE CONSTITUTION IN THAT IT ALLOWS A LOCALITY TO DISAPPROVE A MULTI-FAMILY HOUSING PROJECT WHICH MEETS THE REQUIREMENTS OF LOCAL ZONING ORDINANCES AND OTHER APPLICABLE LAWS SOLELY ON THE BASIS OF THE METHOD OF FINANCING.

DOWNZONING

A considerable amount of testimony was heard regarding the practice of downzoning.

The problem as identified by a number of persons regarded the rezoning of a parcel by a locality after the owner, contract purchaser, or optionee has filed a site plan, plan of development or subdivision plat. In some cases, the individual may have incurred substantial expenses in developing the plan.

Proponents of amendments to restrict downzoning argue that regardless of how much an individual pays for the property, the zoning classification could be changed so as to impair substantially the original investment. This situation is further aggravated by the fact that Section 15.1-491(g) of the Code of Virginia presently provides that an amendment may be requested by a local governing body, a local planning commission or any property owner.

Localities give the words "any property owner" varying interpretations. Some construe the words to refer to the owner of the property for which the rezoning is requested. Others believe that the words permit any property owner in the particular locality to request an ordinance amendment relating to any property in that locality.

The first, and most restrictive, interpretation is clearly the proper one. Applications for zoning ordinance amendments should be accepted only from persons who own (or have some contractual interest in) the property for which the rezoning is requested. Otherwise, there exists the possibility for the property rights of others to be impaired.

The Commission, therefore, recommends that:

SECTION 15.1-491(g) OF THE CODE BE AMENDED SO AS TO DEFINE "ANY PROPERTY OWNER" AS THE OWNER, CONTRACT PURCHASER OR OPTIONEE (OR AGENT THEREFOR) OF THE PROPERTY WHICH IS THE SUBJECT OF THE PROPOSED ZONING MAP AMENDMENT.

Another issue regarding downzoning that was brought to the Commission's attention regarded vested rights. Proponents argued that the owner, contract purchaser, and optionee of undeveloped land would have statutory vested rights once a site plan, plan of development, or subdivision plat is filed with the locality.

Traditionally, the courts have determined that vested rights accrue only after substantial expenditures are made by the developer and when a special use permit has been issued by the locality. The zoning changes proposed would, in effect, make a legislative determination that substantial expenditures are incurred when a site plan, plan of development, or subdivision plat is prepared.

The Commission is of the opinion that the determination of vested rights should be made on a case-by-case basis and, therefore, are best determined by the courts.

The Commission, therefore, recommends:

THAT NO ACTION BE TAKEN THAT WOULD INFRINGE ON THE
COURTS' POWER TO DETERMINE VESTED RIGHTS ON A CASE-BY-CASE
BASIS

PRORATION OF MASTER-METER UTILITY
COSTS IN MULTI-FAMILY BUILDINGS

Testimony presented to the Commission included several suggestions as to how energy conservation could be improved in Virginia homes.

One suggestion was of particular interest to the Commission. Multi-family buildings with only one meter for all units contained therein encouraged energy consumption and offered little incentive for the tenants to conserve energy. The cost of energy is often included in the monthly rent and that rental amount normally does not fluctuate with increased or decreased energy consumption.

Furthermore, conversion to individual meters is either impossible or financially impractical in large multi-family units. However, various systems have been adopted around the country which do give both the tenant and landlord some control over energy consumption costs. One particular form system is known as the Residential Utility Billing System. This system consists of giving the tenant a two part bill: a basic rental bill and a bill prorating that month's energy cost of the entire building to each tenant on a square footage basis.

This form of energy cost redistribution is currently under the authority of the State Corporation Commission (§ 56-245.3). The SCC currently does not allow for such a system and has indicated that it may not be empowered to do so.

The Commission, therefore, recommends:

THAT LEGISLATION BE ENACTED THAT ALLOWS THIS METHOD OF
ENCOURAGING ENERGY CONSERVATION IN MULTI-FAMILY, MASTER-
METERED BUILDINGS.

REDEVELOPMENT AND HOUSING AUTHORITIES

The Virginia Housing Study Commission evaluates yearly the activities and work programs of Virginia's redevelopment and housing authorities. The purpose of this evaluation is to determine, to the best extent possible, whether current enabling legislation permits Virginia's authorities to take full advantage of programs available for advancing the housing opportunities of low income persons and families.

Local redevelopment and housing authorities have been a vital force in providing safe, sanitary and affordable dwelling accommodations for persons of low income. Housing authorities in Virginia have cooperated with private, state and federal agencies and programs in the construction of new housing, the rehabilitation of existing housing, and in creating housing opportunities for elderly and handicapped Virginians. In addition to these housing efforts, redevelopment and housing authorities have become actively involved in community development projects. These projects include neighborhood and community revitalization efforts.

Oftentimes, the powers of these authorities need redefinition or reclarification as program needs change. Additionally, new responsibilities may be added so as to more effectively carry out existing programs. It is in this spirit that the Housing Study Commission propose the following recommendations.

Penalty for False Information

In 1938 the General Assembly of Virginia declared that the provision of safe and sanitary dwelling accommodations for persons of low income is a public purpose. Since that time, redevelopment and housing authorities, though involved in other housing and community development projects, have regarded the provision of housing to low income persons and families as their most important program effort.

Over the years federal laws have changed regarding redevelopment and housing authorities. While income requirements must be met for admittance into assisted housing there are no guidelines for continued occupancy, and in many cases a person may continue to reside in assisted housing when his income has far surpassed that which he was admitted under. Such occupancy serves to prevent other persons who meet income admittance requirements from occupying public housing. Aggravating this problem is the fact that many persons fail to give the correct information regarding income on their application for admittance into a housing project. While there are verification procedures used, authorities only have the information submitted to verify.

The Virginia Association of Housing and Community Development Officials believes that a penalty provision would reduce the number of persons falsifying their applications.

The Housing Study Commission will evaluate the Association's request.

Redevelopment and Conservation Projects

Redevelopment and housing authorities have long been involved in community revitalization efforts. The General Assembly affirmed in 1964 that "certain blighted, deteriorated or deteriorating areas...are susceptible of conservation through appropriate public action and the elimination or prevention of the spread or increase of blight or deterioration in such areas is necessary for the public welfare and is a public purpose..."

Central cities across the State have undergone substantial renovation over the last few years and redevelopment and housing authorities have played a major role. Downtown revitalization and neighborhood conservation programs are transforming Virginia's urban centers to the centers of vitality that they once were.

In order that this trend continue redevelopment and housing authorities must be able to effectively carry out the programs necessary for community improvement. Continuity must be maintained in project areas. In many cases, projects involving rehabilitation or construction are left undone in a conservation or rehabilitation area. The Virginia Association of Housing and Community Development Officials believes that such delay can be averted if authorities are permitted to make loans or grants to facilitate the construction, reconstruction, rehabilitation or other improvements necessary.

The Commission has not completed its evaluation of this request.

CONDOMINIUM CONVERSION

At the request of some of the members of the General Assembly from Northern Virginia, the Commission held two public hearings in that area. The purpose of these hearings was to give Northern Virginia citizens an opportunity to voice their concerns regarding condominium conversion of existing rental property. The testimony received was from a cross section of the community and included community leaders, businessmen, tenants, landlords, civic groups and government agencies.

The testimony centered around the Condominium Act and the procedures it prescribes for conversion of rental property to condominiums. The following issues were raised.

Notice to Tenants of Conversion

The statistics concerning the availability of rental units in the Northern Virginia area support the testimony of many tenants in converted projects that vacant rental property is virtually nonexistent. The current vacancy rate fluctuates around one and one half (1½) percent.

Consequently, when notice is given to a tenant that his unit will be converted to a condominium, he faces the dilemma of raising the necessary down payment to purchase the unit or finding other rental housing.

The Condominium Act does provide limited relief by requiring the converter to give each tenant 90 days notice of his intent to convert the building to condominium (§ 55-79.94(4)(b)). Therefore, the tenant has 90 days to find another apartment or to raise the amount needed for the down payment on his unit. Many persons testified that this time frame is not realistic insofar as the waiting lists at other apartment complexes exceed 90 days in almost every case. Coupled with this is the fact that most renters cannot raise the required down payment in 90 days.

Developers and landlords indicated that a long notice requirement would create severe financial risks that would be unacceptable.

Those providing testimony requested that the time period be extended to 120 days.

Exclusive Right to Purchase Converted Unit

Tenants testified that an increase in the time period for notice would necessitate an increase in the time for which the renter has the exclusive right to purchase his unit.

Those providing testimony requested that this period be raised from 60 to 90 days.

Additional requests for amendments to the Condominium Act were made. Those providing testimony in Fairfax County suggested that legislation

be introduced that would allow a tenant organization the exclusive right to purchase the entire project prior to conversion or sale to a converter.

Landlords Right of Access During Conversion

Another area of concern centered around the landlord's right of access to make alterations and repairs in a rental unit which is due to be converted.

The problem becomes most obvious in a situation where the tenant has been given the required 90 days notice and has decided not to purchase his unit but to seek other rental property.

Testimony received by the Commission indicates that some "landlord-converters" are utilizing their right as landlords under the Virginia Residential Landlord and Tenant Act (§ 55-248.18) to enter these units and begin the physical repairs necessary for conversion. The "landlord-converter" will assert his right under the VRLTA to enter any apartment to make "necessary decorations, alterations and improvements."

The advantage of doing this is obvious; the "landlord-converter" can have the unit ready for immediate occupancy by the buyer as soon as the present tenant vacates. The disadvantage to the tenant is equally obvious; for approximately 90 days he is subjected to inconvenience which in some cases includes structural changes to his unit.

If § 55-248.18(a) were amended to exclude "landlord-converters", then the situation that currently exists may be eradicated.

Governmental Data

Personnel from various local governmental agencies, testified that under the present Condominium Act they are in a poor position to plan for the communities' rental property needs. Many localities provide citizens with information concerning the availability of rental units. By maintaining accurate records the locality may ascertain the needs of the area and can take the necessary steps to encourage the development of new rental properties for residential use.

The Condominium Act currently requires a converter-developer to file an application for registration of the condominium with the Real Estate Commission. Most would agree that if the Real Estate Commission were to forward copies of these applications to the locality where the proposed property conversion is to take place, the locality would be in a better position to accomplish its planning objectives. § 55-79.89 could be amended to require notice to the locality.

The Virginia Housing Study Commission is very sympathetic to the issues raised regarding conversions in the Northern Virginia area. Of particular concern is the shortage of rental properties and the potential loss of

remaining units. While the Commission has encouraged homeownership opportunities for all Virginians, it is aware that there are a variety of reasons why some persons choose not to become homeowners.

With respect to these issues, the Commission is of the opinion that the Northern Virginia area is in a unique position and that members of the General Assembly from that area have and will continue to seek administrative and legislative solutions to them. It is in this spirit that the Commission defer any action on this matter and that it awaits the recommendations of the Northern Virginia Delegation.

UNIFORM STATEWIDE BUILDING CODE

The Commission recommended in 1972 the adoption of a Uniform Statewide Building Code. The General Assembly agreed to this recommendation and a Uniform Code has been in effect in Virginia since September 1, 1973.

Prior to the adoption of the Uniform Statewide Building Code, many factors contributed to the high cost of construction. Such factors included the various laws, ordinances, rules, regulations and codes regulating the use of materials and buildings. The adoption of the Code has contributed, to some degree, to a reduction in construction costs and for this the Commission is very proud.

The Building Code has remained a topic of study and evaluation by the Commission and each year, testimony has been presented aimed at making the Code more effective.

Uniform Enforcement

Since the effective date (September 1, 1973) of the Uniform Statewide Building Code, there have been continuous suggestions that the Code is not being uniformly administered or interpreted.

The Commission recognizes the need to clarify the enforcement of certain areas of the Uniform Statewide Building Code. Major and minor problems which can arise are being alleviated, for the most part, by the education and training of those who deal with the Code on a local level, i.e., building officials and builders, and by the coordination at the State and local levels.

Although the Code of Virginia provides an aggrieved party an appellate process through the local board of appeals and to the State Technical Review Board, the Commission continues to encourage and promote more uniform interpretation, application, and enforcement of the Building Code.

During the last session, the Commission successfully supported an appropriation to the Department of Housing and Community Development that provided for an educational and training program for inspectors and building officials. Several seminars and training programs were held across the State. Attendance records and comments from those attending indicate that they have been most successful.

Many more such seminars are needed to provide the in-depth exposure required in all facets of building code administration, application, and enforcement.

The Commission, therefore, recommends:

THAT FURTHER APPROPRIATIONS BE MADE TO THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR THE PURPOSE OF CONDUCTING FURTHER EDUCATIONAL PROGRAMS ON THE SUBJECT OF BUILDING CODE ENFORCEMENT AND APPLICATION.

Certification of Building Code Personnel

At several public hearings, testimony was received requesting the Commission to consider mandatory certification of building code personnel.

The rationale for this request was that a mandatory certification program would insure both the citizens of the Commonwealth and the industry that every locality would employ building code personnel with at least minimum competency certification. Furthermore, the certification may in fact contribute to a more uniformly interpreted and administered building code.

The Commission was also made aware of efforts of other states to develop such a testing mechanism in conjunction with the Educational Testing Service in Princeton, New Jersey.

In view of the fact that these tests are being developed in other states and applied experimentally, and that data is incomplete

The Commission recommends:

THAT THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT MONITOR THE RESULTS OF THESE TESTS AND REPORT ITS FINDINGS AND RECOMMENDATIONS TO THE HOUSING STUDY COMMISSION.

Design for Handicapped Facilities

At each of its hearings, the Commission heard numerous handicapped citizens voice concerns regarding building accessibility. Many stated that the various provisions in the Code of Virginia relating to accessibility to places of public accommodation were in conflict and needed to be standardized.

Part of the problem centered around the definition of public accommodation found in § 36-137 F of the Code. This section grants to the State Board of Housing and Community Development the power to promulgate design standards relative to making places of public accommodation reasonably accessible to and useable by physically handicapped persons. The section goes on to define "places of public accommodation" that could not technically be included in those spelled out in the definition.

After reviewing these concerns with the State Board of Housing and Community Development, and receiving similar recommendations from that Board,

The Commission recommends:

THAT § 36-137 F OF THE CODE OF VIRGINIA BE AMENDED SO AS TO MAKE THOSE PLACES OF PUBLIC ACCOMMODATION LISTED INCLUSIVE, BUT NOT EXCLUSIVE OF OTHER TYPES AND KINDS OF PLACES OF PUBLIC ACCOMMODATION.

Conflicts Between Building Code and Other Codes

During the last session of the General Assembly, Senate Bill 659 was enacted which amended Section 36-98 of the Code of Virginia. The amendment, essentially, empowered other State agencies, when enabling legislation permitted, to enact regulations which did not conflict with the construction and maintenance requirements of the Uniform Statewide Building Code.

Testimony presented to the Commission alleges that the enactment of the amendment has created a great deal of conflict.

The Commission is very concerned that the uniformity of the Statewide Building Code may be jeopardized if this amendment is interpreted by other State agencies to re-enact all of their regulations which the Commission feels the General Assembly intentionally eliminated when it enacted the Uniform Statewide Building Code. If an influx of new rules and regulations are enacted which hinder or dilute the uniformity of the Building Code, then the Commission would submit that a situation would result much like the pre-Uniform Statewide Building Code era.

The amendment to § 36-98 also provides that the State Board of Housing and Community Development and the various other State agencies are to coordinate their efforts to eliminate conflicts.

The Commission will continue to evaluate the effects of this amendment.

Building Inspectors and Search Warrants

The Commission heard testimony at several public hearings with respect to the enforcement of the Uniform Statewide Building Code. A matter of particular concern to some localities is their inability to obtain a search warrant to inspect for criminal violations of the Building Code. The following is a synopsis of the problem prepared by the Commission's staff:

In 1967, the United States Supreme Court enunciated in Camara v Municipal Court 387 U.S. 523 that housing inspectors were required to obtain search warrants, absent consent, when seeking to search dwellings for housing code violations. The same day the Court also ruled in See v City of Seattle, 387 U.S. 541, that Fire Inspectors were required to obtain search warrants to inspect commercial buildings for Fire Code violations absent consent of the owner or an emergency. Thus, Franks v Maryland 359 U.S. 360, which allowed housing inspectors to search homes without a warrant was specifically overruled. It seems self-evident, then, that based on the Fourth Amendment and these cases, a housing inspector cannot make a warrantless search of either commercial or residential property absent consent. Although these cases dealt with possible criminal sanctions for refusing to allow an inspector to commit a warrantless search, the Supreme Court has more recently in Zurcher v Stanford Daily 436 U.S. 554 (1978) held that the Fourth Amendment protects in civil cases as well as criminal cases.

Under Virginia's Uniform Statewide Building Code, as adopted by the State Board of Housing and Community Development, a person refusing to allow a

building inspector to inspect could be charged with a misdemeanor. Under Sections 110.4 and 111.1 of the Building Code, the building official or inspector has the right to enter any building in his jurisdiction in order to enforce the Code. Under § 36-106 of the Code of Virginia, anyone who violates the Building Code is guilty of a misdemeanor. Technically then, if one were to refuse the building official the right of entry he would be guilty of violating the Building Code and would be subject to a misdemeanor charge. The point is that Virginia law is not unlike the factual situations in Camara v See. So there is little doubt that the building official or inspector would have to get a search warrant in order to make a non-consent search for a violation of the Building Code.

The factual situation which has been cited over and over again is where a building inspector suspects an individual or corporation is carrying on construction, alteration or repairs that would require a Building Permit under the Building Code. The inspector seeks to inspect the building so as to ascertain whether or not a violation exists (i.e., a permit is required). The owner-occupier refuses to allow a search based on consent. The inspector must then either (1) get a warrant, or (2) conduct a warrantless search. If he chooses the latter not only would Mapp v Ohio exclude any evidence he discovers from criminal proceedings, but Zurcher would also seemingly exclude the evidence from injunctive or civil proceedings under Sections 121.3 and 121.5 of the Building Code. Furthermore, under Section 19.2-59 the inspector would become liable for prosecution of a Class I misdemeanor and for compensatory and punitive damages to the person aggrieved. Thus, the inspector must get the warrant.

The question then becomes: Can a Building Inspector get a search warrant under Virginia Law? Before this question can be answered, however, it must be determined what kind of search warrant would be required. There are basically two types of warrants available in these circumstances: an administrative search warrant and a criminal search warrant. The Virginia Code allows administrative search warrants to be issued for toxic substances (§ 19.3-393 et. seq.): ABC inspectors have the right to obtain search warrants under § 4-54. However, it is not entirely clear whether this grant of authority would be classified as the power to obtain administrative or criminal search warrants. Likewise, § 27-58 would allow fire investigators to enter a building after a fire without obtaining a search warrant. Apparently this is deemed a permissible search under the Fourth Amendment.

The building inspector, unlike a pure administrative inspector, is seeking to find evidence of criminal activity because failure to comply with the Uniform Statewide Building Code, as pointed out, is a misdemeanor. If this inspection is to be classified as an administrative search, then the fact that there is no enabling statute allowing the building inspector to obtain a search warrant may indicate that he is barred from obtaining an administrative search warrant.

If the building inspector is to obtain a criminal search warrant in order to search a suspected commercial or residential building for a violation of the Building Code, then he must conform with the requirements of § 19.2-53.

However, the problem with conforming with this section is that many inspectors do not seize tangible items as evidence of a violation. In most instances, photographs or visual inspections followed by a written report are the extent of the actual gathering of evidence.

A review of § 19.2-53 would reveal the fact that one would have to liberally construe subsections 1-4 in order to include the retrieval of photographic and visual evidence of a violation of the Building Code.

With these in mind,

The Commission recommends:

THAT THE VIRGINIA CODE COMMISSION BE MADE AWARE OF THE PROBLEM AND THAT IT ADDRESS THE PROBLEM AS IT DEEMS APPROPRIATE.

REPORT OF
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
ON HOUSING RELATED PROGRAM EFFORTS

During this last year, the Department of Housing and Community Development established priorities for its future involvement in various Statewide housing improvement programs. In order to best serve the citizens of the Commonwealth with their financial and physical housing needs, the Department concentrated its efforts in the areas of research, information distribution, and the coordination of housing production and delivery. The Department's program priorities developed in this regard are:

- to increase housing related staff assistance to local governments and agencies;
- to improve interagency coordination between local, State, and Federal agencies for the purpose of expanding housing production in Virginia;
- to seek, obtain, and manage Federal grant programs in the areas of housing assistance and production;
- to conduct research on various housing issues;
- to develop a capacity to respond to disaster related emergencies

It is believed that the Department's housing programs, in combination with the efforts of other governmental agencies, will advance the State closer to its goal of assuring a decent home and a suitable living environment for each citizen of Virginia.

Departmental Efforts to Increase Housing Related Staff Assistance

The Department, in cooperation with the Richmond Area Office of Housing and Urban Development (HUD) and the Virginia Housing Development Authority (VHDA) recently conducted a training program for local governmental and planning district commission (PDC) staff on the HUD housing opportunity planning process. This process allows local governments, through their PDC, to apply for bonus Section 8 housing units allocated from a reserve inventory maintained at the Central Office in Washington, D.C. An example of a community benefiting from these efforts is the City of Norfolk; five hundred Section 8 bonus housing units may be allocated to Norfolk as a result of the PDC developing a Housing Opportunity Plan.

Departmental staff has been involved in the implementation of other training programs to aid the local governmental and PDC staffs. In September of this year, the Department participated in hosting a training program for local

planning commission members. One hundred and fifty local commissioners, many with little experience or training, attended a three day session which concentrated on explaining the legal powers and duties of local planning commissioners. More recently, the Department, in cooperation with Virginia Housing Development Authority, hosted a training program for local governmental and PDC staffs on VHDA housing finance programs. This session was held for personnel in Southwest Virginia. Seminars are expected to be held in additional areas of the State during the coming year. Finally, the Department has initiated an expanded educational program on all aspects of the Uniform Statewide Building Code and its administration for local building officials.

Over the preceding year, the Department developed the capacity to offer aid to local governmental and PDC staffs in the preparation of Housing Assistance Plans. These plans are a prerequisite for local governments to receive Community Development Block Grant funds from HUD. The Department also initiated efforts to assist local governments in the creation of local landlord-tenant commissions, and local or regional housing and redevelopment authorities. As examples, New River Valley and Crater Planning Districts are in the process of establishing regional housing and redevelopment authorities with the assistance of Departmental staff.

In addition to providing direct staff assistance, the Department has developed a publications program to aid governmental workers as well as private citizens. Two new series of bulletins that have been instituted during this last year are the Planning Assistance Bulletins and the Virginia Community Planning Series. The Planning Assistance Bulletins are technical planning papers prepared for the use of local elected officials, planning commissioners, and planning office personnel. During this year, two of these bulletins have been distributed throughout Virginia. The first is a discussion of the 1979 amendments to the Title 15.1 local planning legislation. The second is a suggested checklist for local planning staff, or the planning commissioners in the absence of staff, to use when reviewing site plans and subdivision plats.

The Virginia Community Planning Series is intended to be a reference handbook for local planning commissions. The series eventually will contain six volumes discussing various aspects of the duties of the planning commission. Volume I "Introduction to Comprehensive Planning" and Volume II "The Local Planning Commission: Powers and Duties" have been completed and distributed statewide. Volume III, entitled "The Comprehensive Plan: Form and Content," should be available for distribution early next year.

The Department also has produced an informational bulletin for local building officials, engineers, and architects. It is designed primarily to provide for distribution and cataloging of interpretations of the Uniform Statewide Building Code by the State Building Code Technical Review Board. Other publications that have proved to be extremely popular at the local level have been the recently released "Powers and Duties of Boards of Zoning Appeals," "The Residential Landlord-Tenant Booklet," and the "Mobile Home Lot Rental Booklet."

Departmental Efforts to Improve Interagency Coordination

Over the past year, the Department has worked to improve coordination between the various local, State and federal agencies involved in housing production activities in Virginia. As discussed earlier, VHDA and the Department have initiated several joint training programs which should positively affect the production of housing in Virginia. Additional projects are being developed that will involve both agencies.

In cooperation with the Federal Regional Council, staff from the Department, the Virginia Farmers Home Administration, the State Water Control Board, and HUD have been meeting to facilitate the coordination of water and sewer grants. The interaction during these meetings have saved time, effort, and money for those agencies involved. Similar opportunities to improve communication between State and federal agencies will be sought and encouraged in the future.

Through increased interagency communication, the Department has been able to assist the Virginia Office of Farmers Home Administration (FmHA) in its program efforts. At the request of Mr. Edward Ragland, Director, the Department reviewed the Virginia Farmers Home State Management Plan for 1980. From this review, it was learned that additional staff and funds were needed by the Virginia FmHA office to handle the applicant volume. Currently, four of the Department's personnel are assigned to the FmHA district offices in Rocky Mount, Farmville, South Hill, and Onancock. In addition, since 1975 many of FmHA's essential district personnel have been hired through the Department's utilizing the Title II-CETA Program.

Effective October 1, 1979, this year's new contract was signed with CETA to authorize the continuation of 128 positions. These 128 positions include 40 Housing Field Representatives (assistants to the FmHA county supervisors) and 88 Clerk Typists C. As of September 30, 1979, 62 Clerk Typists and 31 Housing Field Representatives were enrolled in the program resulting in a total of 93 employees for the FmHA district offices. While all of these 128 positions may never be filled due to the transient nature of the program, at least 30 more positions could be filled to aid the FmHA district offices in their task of enabling lower income people to improve their housing situation.

Interaction and coordination of programs between the Department and the Richmond Area Office of HUD has increased this last year. The Department participated with HUD in the decision-making on two of their programs. The Department served as a member of HUD's review panel which was charged with analyzing Housing Opportunity Plans. More recently, the Department served on a HUD review panel which makes determinations on the allocation of Community Development Block Grant Funds.

Departmental Efforts to Obtain and Manage Housing Related Federal Grants

In the area of energy conservation, the Department currently is responsible for the administration of the Department of Energy's Weatherization Program in the Commonwealth. Approximately \$3.4 million is available this year to provide for the insulation of nearly 5,000 housing units.

Because the Department is the administrative agency for the Appalachian Regional Commission program in Virginia, the Department was able to identify housing as a top priority this year. Approximately \$1.6 million will be available for housing development in Southwest Virginia to help meet this area's critical housing needs. A higher allocation for housing development is expected to be incorporated into the program for Fiscal Year 1980.

The Department also has worked to establish the State's eligibility under the new FmHA Energy Impact Assistance Program. Fiscal Year 1979 project funding under this program has produced \$1 million to be used to stimulate housing production in certain eligible areas of the Commonwealth. Proposals are before Congress at this time to expand this program from a national appropriation of \$20 million to approximately \$50 million for Fiscal Year 1980. Prospects for a significant increase appear favorable. There is a great potential for expanding the delivery of housing in Virginia if these proposals are approved.

Departmental Efforts to Conduct Research on Housing Issues

The major accomplishment this past year in this regard was the establishment of the new Office of Policy Analysis and Research. Created for the purpose of conducting research and policy analysis on various housing and community development related issues, the Office was fully staffed by the summer of this year. During the past several months, the Office has been extremely active in the performance of this function.

In the area of housing, the staff of this Office investigated and prepared research reports on the use of tax-exempt municipal housing bonds to lower mortgage interest costs, on alternative measures to reduce the cost of mortgage financing overall, on the regulation of the timesharing land development concept, to name a few. The Office also prepared the study topic workbook which analyzed various legislative and administrative proposals for the benefit of the Virginia Housing Study Commission.

The Department's Office of Housing Services also has been involved in housing related research. Work was begun on developing a State housing plan to express a State strategy for the delivery of housing. In-house research assistance to local governments and PDCs on producing Housing Opportunity Plans and Housing Assistance Plans continued. The compilation and distribution of general housing research data was maintained as a useful program service to localities and agencies.

Departmental Efforts to Respond to Disaster Related Emergencies

A new responsibility which the Department had not anticipated has been the State's decision to conduct the Temporary Housing Program following a Presidentially declared national disaster. Over this past summer two floods occurred in Virginia which were declared national disasters: One in Buchanan County and the other in Patrick County. The Department was given the responsibility to conduct the Temporary Housing activities. This involved providing limited repair grants to individuals who received repairable damage to their

home and providing temporary housing quarters in mobile homes to individuals who received major damage and were displaced by the floods. The Department is working now to develop the ongoing capacity to respond to disasters in the most efficient and effective manner.

In closing, these activities conducted by all units of the Department emphasizes the State's commitment to housing. The Department expects to continue and expand its efforts in the above priority areas in order to effectively reduce the housing needs of the citizens of the Commonwealth.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

I. Origin and Role

The Virginia Housing Development Authority was created by the General Assembly in 1972. The need for such an Authority was established by the Housing Study Commission which completed a review of housing needs in The Housing Crisis. In this report the Housing Study Commission recommended the establishment of a housing finance agency which would, through the use of low interest loans, stimulate the production of housing for low and moderate income citizens within the Commonwealth of Virginia. As a response to this report, the Virginia Housing Development Authority Act was enacted by the General Assembly and Virginia Housing came into being. The Authority became active in 1973.

Virginia Housing is unique in both the role it plays and in its relationship to State government. Virginia Housing was created as a political subdivision of the Commonwealth, not as an agency within State government. Virginia Housing does not receive its operating funds from the State, but rather it is self supporting, paying its expenses from interest and fee income which it earns. VHDA maintains a close relationship with State agencies involved in the housing field within the State. For example, the staff of Virginia Housing works closely with the staff of the Department of Housing and Community Development to develop solutions to specific housing problems which may be of either local or statewide significance. Staff members of both agencies attend the board meetings of the other in order to remain fully informed of activities which are being undertaken. As of July 1, 1978, Virginia Housing was placed within the Department of Housing and Community Development for reporting purposes. Virginia Housing has a legislative responsibility to report annually to the Governor on its financial position and the current status of its housing activities.

II. Function

Virginia Housing's major function is to attract capital into Virginia and then to utilize this capital to make mortgage loans for the development of rental and ownership housing for low and moderate income families. This mechanism for attracting this capital is the sale of tax-exempt bonds and notes. These bonds are usually sold in New York and are purchased by investors throughout the United States. These bonds are then used by Virginia Housing to administer housing finance programs in a variety of areas. Through its prudent lending practices, Virginia Housing has established an excellent investment rating with respect to bonds and notes which it issues. This, in turn, means that Virginia Housing's cost of borrowing will remain well below the market rate and consequently that it will be able to continue to pass the benefits of these lower interest rates on to the final consumers of its housing programs within the State. In real terms this means decent rental housing available at affordable rates, permanent mortgage loans for families who would otherwise

be unable to purchase a home, and low interest rehabilitation loans for families wishing to make energy conserving and other types of improvements to their homes.

III. Housing Needs in Virginia

The starting point for Virginia Housing's programs and for the Authority itself is the need for housing assistance within the Commonwealth of Virginia. Although the need for housing assistance is great, the programs of VHDA combined with the programs of other federal agencies involved in the production of low and moderate income housing in the State, have produced tangible results in terms of reducing the overall level of housing needs. For planning purposes, Virginia Housing separates housing need into two categories. These are the need for low income housing assistance and the need for moderate income housing assistance. The following table shows the total number of households estimated to be both income eligible and likely to participate in housing assistance programs, assuming no production of assisted housing:

	<u>Low Income</u>	<u>Moderate Income</u>
1970	191,372	176,490
1980	226,827	207,310

However, there has been a significant amount of assisted housing production during the past decade which has made major contributions towards reducing the level of need within both of these categories. The production of assisted housing during the 1979 to 1970 period is as follows:

	<u>Low Income</u>	<u>Moderate Income</u>
Federal (1970-79)	50,951	18,718
VHDA (1974-79)	<u>15,253</u>	<u>12,729</u>
TOTAL	66,204	31,447

Therefore, the remaining households in 1980 who are both income eligible and likely to participate in housing assistance programs include the following:

	<u>Low Income</u>	<u>Moderate Income</u>
1980	160,623	175,863

Overall, production under all housing assistance programs has reduced the need for low income housing assistance by 30%, of which 7% has been as a result of Virginia Housing's programs. On the moderate income side overall need has been reduced by 15%, of which 6% is the result of Virginia Housing's programs.

Sound housing policy dictates not only that housing programs be created and administered which can reduce the need for housing assistance for both low and moderate income households, but also that this reduction of need occur throughout the Commonwealth so that all of the citizens of Virginia have equal access to these housing assistance programs. Tables I and II display housing needs and production by planning district. The first table covers moderate income housing programs while the second includes low income programs. The tables reveal that, while not perfect, the distribution of housing assistance correlates reasonably well with the distribution of housing need. There are improvements to be made in this area, however, Virginia Housing now utilizes a geographical analysis of activity in its annual housing planning process to ensure that areas of the State which have been underserved in the past will receive their fair share of housing assistance resources.

IV. VHDA's Housing Production

Since its inception, Virginia Housing's total production has been 29,622 units as of June 30, 1979. Ownership programs have accounted for 43% of this production while 57% has been in renter programs. This ratio has varied from year to year with the last two years showing marked increases in ownership housing programs. Table III summarizes Virginia Housing's production by Fiscal Years 1974-79.

During its 1979 Fiscal Year, Virginia Housing produced 6,824 units of housing through all of its programs. Approximately 63% of this production was in ownership programs.

In addition to the financing of rental units and ownership housing, VHDA operates a large Section 8 Existing Housing Program. This program does not involve VHDA's financing, but rather the administration of HUD Section 8 Rent Subsidy Funds to be used in existing housing structures throughout the State. Virginia Housing is now administering a total of 3,678 units under the existing housing program. These units are distributed throughout 42 localities. Within each locality Virginia Housing works with a local agency that handles local administration. Virginia Housing and these local agents share administrative responsibilities in a cooperative relationship which has worked extremely well and will hopefully serve as a model for future cooperative programs with local jurisdictions.

Additionally, Virginia Housing administers a number of special programs which are intended to serve a particular type of housing need for a particular population group. These programs include group homes for the mentally retarded, an energy conservation and rehabilitation loan program for homeowners, and a program of loans and grants in the Appalachian area of the State. The group home program involves Virginia Housing's financing of 12 unit congregate living facilities which provide a supportive atmosphere in which mentally retarded individuals can learn independent living skills. In many instances it is anticipated that these residents will eventually move on to an apartment or home of their own. The Energy Conservation and Rehabilitation Loan Program was developed at the request of the General Assembly, which in 1977

enacted legislation enabling Virginia Housing to make loans to homeowners for energy conserving improvements. This program, which stresses energy conserving loans but includes other types of rehabilitation as well, allows moderate income homeowners to borrow from \$1,000 to \$15,000 at modest interest rates. Nearly all of the \$5 million available under this pilot program has been loaned out and VHDA is currently reviewing the results of this first effort, prior to deciding whether the program will be continued. Virginia Housing began to participate with the Appalachian Regional Commission and the Department of Housing and Community Development in administering a loan and grant program for housing sponsors within the Appalachian area of the State. These funds flow from the Appalachian Regional Commission to the State and are available to stimulate housing production in an area where high site development costs and a lack of experienced housing developers present serious impediments to the production of low and moderate income housing. The loans and grants may be used in conjunction with a variety of housing programs. In the first year of the program, these include Public Housing, Section 8, Farmers Home rental and ownership housing, as well as VHDA's ownership housing program.

In an effort to address the problem of variations in the cost of housing throughout the State of Virginia, the Board of Commissioners took actions in 1979 to establish separate sales price limits for Virginia Housing's ownership programs. The existing sales price limit of \$35,000 was increased to \$38,500 for newly constructed or substantially rehabilitated units in most parts of the State. The sales price for existing housing remains at \$35,000. In special high cost areas of the State, which include Northern Virginia, parts of Southwest Virginia, and the City of Virginia Beach, the allowable price for newly constructed or substantially rehabilitated homes was increased to \$45,000. This limit applies only to homes which are built under VHDA's Construction Loan or Builder Commitment Programs, in which Virginia Housing has greater control over the type and cost of the housing unit.

V. Future Proposals

As Virginia Housing enters its seventh year of operation, a cloud has appeared upon the horizon. This cloud takes the form of Congressional attempts to limit or preclude the use of tax-exempt bonds to provide mortgages to purchasers of single family homes. Abuses in mortgage revenue bond programs in other states contributed to this Congressional effort. Virginia's programs, on the other hand, have consistently restricted both the income of the purchaser and the sales price of the home to limits which clearly fall within the definition of moderate income housing. It is Virginia Housing's hope that the ultimate resolution of this legislation will enable Virginia Housing to continue its current ownership programs. VHDA's record in this area clearly shows that over the years it has been able to serve lower and lower income families relative to the growth of family incomes statewide. Further, sales price and cost limitations have held the cost of housing financed by VHDA to levels well below the rate of increase experienced statewide and nationally. Virginia Housing believes these programs meet the public purpose for which it was created and hopes to pursue these programs vigorously in the coming decade.

TABLE I: ESTIMATES OF THE NUMBERS OF HOUSEHOLDS WHO ARE INCOME ELIGIBLE
 ARE LIKELY TO PARTICIPATE IN MODERATE INCOME
 HOUSING ASSISTANCE PROGRAMS, BY PLANNING DISTRICT: 1970-1980
 ESTIMATES OF PRODUCTION: 1970-1979

Planning District	Total Numbers Of Households 1970	Numbers of Households Eligible and Likely to Participate - 1970	Production of Moderate Income Housing '70-'79 All Programs ¹	VHDA's Share Of Production '74 - '79	Remaining Households Eligible and Likely to Participate - 1980
	1,395,401	176,490	31,447	12,729	175,863
Percentage Distributions of State Figures by Planning Districts					
1	1.9	1.1	1.4	.3	1,830
2	2.3	2.0	2.4	---	3,377
3	3.5	2.0	3.2	.8	3,125
4	2.4	2.0	3.5	2.6	3,055
5	5.1	4.4	4.4	5.2	7,748
6	4.0	3.0	3.1	1.2	5,250
7	2.4	2.2	4.2	3.2	3,328
8	20.5	25.9	8.7	13.1	50,780
9	1.5	1.3	2.4	1.4	1,954
10	2.5	2.5	3.7	2.7	4,033
11	3.6	2.8	5.3	4.7	4,123
12	4.7	7.6	7.5	7.3	13,334
13	1.7	1.4	2.1	.3	2,240
14	1.6	.9	1.7	.2	1,335
15	12.3	11.8	15.8	22.2	19,389
16	1.6	1.4	5.0	4.1	1,329
17	.9	.3	.7	.1	400
18	1.1	.6	1.3	.7	833
19	3.1	3.0	3.9	3.6	5,009
20	15.6	16.3	13.3	17.4	29,463
21	6.5	7.1	6.3	9.0	12,750
22	1.0	.6	.2	---	1,167
	100.0%	100.0%	100.0%	100.0%	175,863

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1 VHDA's Actual FY '79 Production is included. Production for other agencies is estimated for FY '79

2 Excluding Single Family construction loans and Energy Conservation-Rehabilitation Loans

TABLE II: ESTIMATES OF THE NUMBERS OF HOUSEHOLDS WHO ARE INCOME ELIGIBLE AND LIKELY TO PARTICIPATE IN LOW INCOME HOUSING ASSISTANCE PROGRAM, BY PLANNING DISTRICT: 1970-1980
ESTIMATES OF PRODUCTION: 1970-1979

Planning District	Total Numbers Of Households 1970	Numbers of Households Eligible and Likely to Participate - 1970	Production of Low Income Housing '70 - '79 All Programs ¹	VHDA's Share Of Production '74 - '79	Remaining Households Eligible and Likely to Participate - 1980
	1,395,401	191,372	66,204	15,253	160,623
Percentage Distributions of State Figures by Planning Districts					
1	1.9	2.0	2.0	2.3	3,217
2	2.3	1.9	2.4	2.4	2,666
3	3.5	3.5	6.1	4.8	3,891
4	2.4	2.3	4.6	5.4	2,203
5	5.1	4.0	4.6	2.3	6,016
6	4.0	2.8	5.7	4.8	2,557
7	2.4	2.1	3.5	1.6	2,413
8	20.5	17.0	11.2	21.4	31,177
9	1.5	1.3	2.2	2.0	1,470
10	2.5	3.1	2.7	3.2	5,219
11	3.6	3.3	4.0	2.7	4,831
12	4.7	4.5	5.0	5.6	6,865
13	1.7	2.0	2.0	.8	3,193
14	1.6	1.5	2.8	.7	1,570
15	12.3	12.5	9.7	10.5	21,908
16	1.6	1.2	2.4	2.3	1,104
17	.8	.5	1.0	---	470
18	1.1	.6	1.6	.8	319
19	3.1	4.0	4.8	6.3	5,921
20	15.6	21.7	12.8	12.7	40,759
21	6.5	7.1	7.4	6.9	11,173
22	1.0	1.2	1.6	.5	1,679
	100.0%	100.0%	100.0%	100.0%	160,623

1 VHDA's Actual FY '79 production is included. Production for other agencies is estimated for FY '79.

TABLE III: TOTAL NUMBER OF UNITS IN OWNERSHIP AND RENTAL LOAN PROGRAMS,
THE ENERGY CONSERVATION AND REHABILITATION LOAN PROGRAM AND THE EXISTING
HOUSING PROGRAM

		VHDA's Fiscal Years 1974-1979						
		1974	1975	1976	1977	1978	1979	TOTAL
I.	Ownership							
	A. Construction Loans	430	260	60	142	86	491	1,460
	B. First Mortgage Loans	0	1,646	454	1,752	3,663	3,613	11,128
	C. ECRL Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>171</u>	<u>171</u>
	Total	430	1,906	514	1,894	3,749	4,275	12,768
		20%	42%	19%	28%	56%	63%	43%
II.	Rental							
	A. Construction Loan Participation	700	444	300	300	354	0	2,098
	B. Direct Mortgage Loans and Mortgage Purchase	985	2,187	1,845	2,658	2,303	1,100	11,078
	C. Existing Housing Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,933</u>	<u>296</u>	<u>1,449</u>	<u>3,678</u>
	Total	1,685	2,631	2,145	4,891	2,953	2,549	16,854
		80%	58%	81%	72%	44%	37%	57%
		<u>2,115</u>	<u>4,537</u>	<u>2,659</u>	<u>6,785</u>	<u>6,702</u>	<u>6,824</u>	<u>29,622</u>

Note: For multi-family loan programs, figures are commitments -- net of loans that did not close.
For existing housing units, figures are number of units in executed ACC's during a fiscal year, net of units that were unused and reallocated.

