

VIRGINIA HOUSING COMMISSION

2017 Annual Report

Virginia Housing Commission Members

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Mamie E. Locke, Vice-chair

George L. Barker
William M. Stanley
David L. Bulova
Betsy Carr
Barry D. Knight
Christopher K. Peace
Mark K. Flynn
Lawrence Pearson
Laura D. Lafayette

AFFILIATION

House of Delegates
Senate of Virginia

Senate of Virginia
Senate of Virginia
House of Delegates
House of Delegates
House of Delegates
House of Delegates
Governor Appointee
Governor Appointee
Governor Appointee

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Betsy Carr	House of Delegates
Barry D. Knight	House of Delegates
Mark K. Flynn	Gubernatorial Appointee
Laura D. Lafayette	Gubernatorial Appointee
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Robert N. Bradshaw	Independent Insurance Agents of Virginia
Paul Brennan	Virginia Housing Development Authority
Andrew Clark	Home Building Association of Virginia
Tyler Craddock	Virginia Association of Housing & Community Development Officials
Heather M. Crislip	President and CEO of HOME
Chip Dicks	Virginia Association of Realtors
Andrew M. Friedman	Virginia Beach Department of Housing & Neighborhood Preservation
Brian Gordon	Apartment & Office Building Association of Metropolitan Washington
Michelle Gowdy	Virginia Municipal League
Kelly Harris-Braxton	Virginia First Cities
Pam Kestner	Department of Housing & Community Development
Kelly King Horne	Homeward
Joe Lerch	Virginia Association of Counties
Katherine Payne	Williams Mullen
Renee Pulliam	Virginia Apartment Management Association
Jay Speer	Poverty Law Center
Elizabeth Steele	Stewart Title
William Walton	Real Property, Inc.

Common Interest Communities

2017 Workgroup Members

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George L. Barker	Senate of Virginia
Betsy Carr	House of Delegates
Lawrence Pearson	Gubernatorial Appointee
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Janice Burgess	Virginia Housing Development Authority
Michelle Casciato	Community Association Institute
Andrew Clark	Home Builders Association of Virginia
Tyler Craddock	Virginia Association of Housing and Developmental Officials
Chip Dicks	Virginia Association of Realtors
Chet Hahne	Virginia Association of Community Managers
Heather Gillespie	Common Interest Community
Dale Goodman	Virginia Resort Development Association
Michelle Gowdy	Virginia Municipal League
Trisha L. Henshaw	Department of Professional and Occupational Regulation
Joseph Hudgins	Independent Insurance Agents of Virginia
Mike Inman	Community Association Institute
Joe Lerch	Virginia Association of Counties
Phillip W. Richardson	Eck, Collins and Richardson
Chandler Scarborough	Green Run Homes Association
Scott Sterling	Common Interest Community Board
Pia Trigiani	Common Interest Communities Board
Jerry Wright	Community Association Institute

Neighborhood Transitions & Residential Land Use

2017 Workgroup Members

WORKGROUP MEMBER AFFILIATION

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George Barker	Senate of Virginia
David Bulova	House of Delegates
Betsy Carr	House of Delegates
Mark K. Flynn	Gubernatorial Appointee
Laura D. Lafayette	Gubernatorial Appointee
Lawrence Pearson	Gubernatorial Appointee

WORKGROUP MEMBER AFFILIATION

Neil J. Barber	Community Futures
Brian Buniva	Environmental Health & Safety; Sequa Corporation
Bernard Caton	City of Alexandria, Legislative Director
Andrew Clark	Home Builders Association of Virginia
Ron Clements	Virginia Building and Code Officials Association
Tyler Craddock	Virginia Association of Housing & Community Development Officials
Cindy Davis	Building Codes/Dept. of Housing & Community Development
Chip Dicks	Virginia Association of Realtors
Chris Freund	Family Foundation of Virginia
Brian Gordon	Apartment & Office Building Association of Metropolitan Washington
Michelle Gowdy	Virginia Municipal League
Kelly Harris-Braxton	Virginia First Cities
Joe Lerch	Virginia Association of Counties
Art Lipscomb	Independent Firefighters
Barry Merchant	Virginia Housing Development Authority
Katherine Payne	Williams Mullen
A. Vaughan Poller	Hampton Roads Housing Commission
Elizabeth Rafferty	Department of Housing and Community Development
Earl Reynolds	City of Danville, Community Development Director
Ed Rhodes	Virginia Fire Chiefs Association
Neal Rogers	Virginia Housing Development Authority
Lauren Schmitt	Virginia Housing Alliance
William Walton	Real Property, Inc.
Jerry M. Wright	Central Virginia Chapter - Community Association Institute

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Executive Summary

The Virginia Housing Commission, a legislative commission, provides legislative drafts and recommends legislation for passage by the Virginia General Assembly. The Commission studies pertinent housing topics and provides solutions, legislative, as well as practically based options. Many solutions emerge from a workgroup system which is designed to include interested parties for each issue that is relevant to the housing industry.

An emphasis this interim was placed on learning about the intersection of housing and Virginia's economy. The legislators and the Governor's appointees heard from a coalition of university-based researchers who presented statistics on housing and how it effects the economy, both at the opening full Commission meeting in April and the concluding meeting in December.

How to ameliorate blight, and refining it as crime that affects localities was the topic for one piece of endorsed legislation. Another, the reconciliation of conflicting provisions between localities and state law concerning smoke alarms and carbon monoxide alarms were among other topics for recommended legislation for the 2018 Session.

Workgroups, composed of legislators and stakeholders, were formed to develop solutions to housing-related issues across the Commonwealth. During the 2017 interim the Commission had workgroups address the issues concerning: early termination of rental agreements, insurance, and the cascading of late fees, property owner association owner's representation on the association's board, and disclosure packets by associations not professionally managed. In addition, several Building Code issues were addressed as well as the fees paid to appraisers in the Commonwealth. A former legislator spoke to the full Commission about housing for individuals with severe mental health issues; this topic will continue to be studied in 2018.

The Virginia Housing Commission's director actively follows all housing legislation during the legislative session and represents the Commission during legislative meetings. Bills that are referred to the Commission as well as housing topics relevant to establishing affordable housing and current housing trends determine the work plan for the following interim. Meetings of the Commission for 2018 will resume after the conclusion of the legislative session.

A number of resources are available on the Housing Commission website (<http://dls.virginia.gov/commissions/vhc.htm>). Summaries of all meetings are posted to the website. In addition, the Housing Commission Twitter feed (@HousingVHC) provides links to current media coverage of housing-related issues.

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



GENERAL ASSEMBLY BUILDING
201 NORTH 9th STREET, SECOND FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-786-3591 ext. 210
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

**Virginia Housing Commission
Tuesday, April 18, 2017, 1:00 PM
House Room C, General Assembly Building**

- I. Welcome and Call to Order
 - ◆ Delegate Danny Marshall
- II. Housing Starts and Foreclosures: Projections in the Commonwealth
 - ◆ Sonya Waddell, *Regional Economist*
The Federal Reserve Bank of Richmond
- III. Overview of Legislative Impacts on Housing
 - ◆ Bill Shelton, *Director*
Virginia Department of Housing and Community Development
- IV. Current Plans and Challenges
 - ◆ Marcia Davis, *Chief Real Estate Officer*
Richmond Redevelopment Housing Authority
- V. Work Plan Overview
 - ◆ Elizabeth A. Palen
- VI. Public Comment
- VII. Adjournment

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DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
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VIRGINIA HOUSING COMMISSION

Meeting Summary

Tuesday, April 18, 2017, 1:00 PM

House Room C, General Assembly Building

All members of the Virginia Housing Commission (Commission) and the director were present: Delegate Marshall (chair), Senator Locke, Senator Barker, Senator Stanley, Delegate Bulova, Delegate Carr, Delegate Knight, Delegate Peace, Mr. Flynn, Ms. Lafayette, Mr. Pearson, and the director, Ms. Palen.

The Commission members received information from three speakers and the director at this opening meeting for the interim. Presenters gave information on economic policy and housing statistics, the effects of legislation and funding, and a follow-up from a previous meeting on the status of the Richmond Redevelopment and Housing Authority (RRHA) projects. The interim topics to be studied and workgroup divisions were also discussed.

Sonya Waddell, Regional Economist, The Federal Reserve Bank of Richmond, spoke first to the Commission about national housing markets and then, more particularly, about Virginia's housing market.

Nationally, a 9.6% growth rate occurred in the second and third quarters of 2016–2017 in regard to housing sales. The numbers have not yet met the 1990s average on housing statistics and permits, and there is an anticipated slowdown of demand in the future, but there is a slow and steady improvement in the amount of housing being built nationally.

An interesting dynamic to watch will be the housing decisions millennials make and to watch how they will determine the future of housing in Virginia.

Despite improvements in indicators such as house prices and home sales in Virginia, there are constraints on the supply side, including not enough buildable lots and a lack of skilled laborers.

During the recession, multi-family homes continued to be built, but that market is now flattening. The number of foreclosures in Virginia is back down to a normal level, .02%. Virginia has a lower foreclosure rate than the nation as a whole, and its foreclosure inventory rate is

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low. Ms. Waddell stated, "Delinquency rates for mortgages more than 90 days past due remain somewhat elevated. And Virginia labor markets are tightening, though at a slower rate than that of the U.S." She added that there is good year over year growth in the economy.

Legislators questioned how many projects are now rezoned because of the loss of the cash proffer system. Ms. Waddell will report back to the group at the end of the interim with current statistics and numbers. The graphs illustrating her talk are titled "The Virginia Housing Market" and can be found under the *Meetings/Materials* tabs on the Commission website.

Bill Shelton, Director of the Department of Housing and Community Development (DHCD), gave an update on housing funding and programs in Virginia; he spoke on behalf of both the DHCD and the Virginia Housing and Development Authority (VHDA).

The Housing and Economic Impact study including the four-university research consortium continues. A final report will be completed by mid-summer to late summer and will be presented to the Commission next fall.

Links between housing and education and health coordination of housing and special needs populations are evident. Greater housing needs exist after the closing of training centers for those with intellectual and other disabilities and has caused an increased need for housing for those populations. Good progress producing this type of housing is being made; the housing intersects, with services and rent supports, and community services. Of this special needs population, about 10% can live independently, which necessitates the need to coordinate housing with wrap-around services for approximately 2,000 individuals.

Concerning DHCD's portion of this year's state budget, the Deeds Commission recommended specific budget language regarding housing for individuals with severe mental health issues. VHDA has hired a national consultant to coordinate providing the housing and a workgroup is being formed to provide expertise and recommendations concerning this housing and needed services. Persons with a severe mental health diagnoses comprise a larger portion of the overall population than the aforementioned special needs population and providing this type of housing has its own complexities. A report will be completed in January concerning a better way to house those in the community with severe mental illness. The goal is for housing for this population not to be concentrated but, instead, dispersed throughout the community, with wrap-around services provided to ensure for independent living in the community.

The study will have a broad stakeholder group and will gather specific recommendations regarding housing for those persons with severe mental illness.

DHCD will continue its funding of programs at the same level as the previous year, and the Housing Trust Fund will continue to provide \$5.5 million yearly to the budget. Appreciation for

the support of the General Assembly was expressed by Mr. Shelton. However, there remains an \$8.3 million gap in the budget between resources and expenses after rolling together all state and federal resources; including those of CDBG (Community Development Block Grants) and HUD's (the U.S. Department of Housing and Urban Development (HUD) HOME Investor Partnership Program funds.

Proposals put forth by the Trump administration eliminating federal support moneys for the HOME program, the weatherization program, and many others will cause a great financial stress on the current funding system if the eliminations occur. No one wants to lose funding in the middle of a development project, and the reduction of federal dollars will negatively impact affordable housing, such as housing using Federal Low-income Housing Tax credits. Equity out projects will need to allocate more money, as a proposed drop in taxes could cause \$1.10 on the dollar to be added as pricing on equity. This especially affects the building of multi-family housing, but historic tax credits for all types of housing will also be affected.

Beginning in 2010, there has been a concerted effort to reduce homelessness in the Commonwealth. Virginia is doing better than many other states in working to combat homelessness and the effort has resulted in an over 30% reduction of homelessness in the state. The emphasis on housing first models has been the key to the decline in homelessness; it has been held up as a national model and has been adopted by all housing partners across Virginia. Veterans' homelessness, using a coordinated effort, has been virtually solved in Virginia, although chronic homelessness still exists. The goal is reduction of chronic homelessness in the Commonwealth by 40% by January 2018.

Building and fire codes are past the halfway point for the next bundle of codes being amended and adopted in Virginia. Meetings discussing the codes are being conducted, and it has been an open-ended process that will soon conclude, as a new Statewide Uniform Building Code will be adopted in 2018.

There are several controversial issues remaining from the 2015 International Code that will be solved in this cycle. Delegate Marshall requested that a report on the major changes, after they are adopted this upcoming autumn, be added to the Commission's meeting agenda.

The Virginia Initiative for Growth and Opportunity in Each Region (GO Virginia) incentivizes "growing back" the economy. Virginia's economic growth is still at a slower rate than that of the rest of the country; there is a need to look at which job sectors have replaced those higher-wage jobs in manufacturing and defense contractor jobs. Where there are lost jobs, particularly in the key sector of manufacturing, standards for strategies and best opportunities to replace them are established through GO Virginia.

Utilizing regional councils, GO Virginia has divided the state into nine regions, and all but one region has had an initial meeting to discuss the best opportunities to bring back higher-wage jobs. Membership for the State Board and regional boards are set, and DHCD has developed a 28-person advisory council to serve as GO Virginia's supervisory board.

GO Virginia has strong connections with higher education, including a statutory requirement that each regional council have representation by institutions of higher education; collectively, the councils comprise representatives from community colleges, regional universities, and private colleges. DHCD will coordinate with the councils to utilize the general and commercialization research strengths of the Commonwealth's universities.

Marcia Davis, Chief Real Estate Officer, Richmond Redevelopment and Housing Authority (RRHA) gave an overview of the current plans and challenges RRHA faces today.

RRHA is both manager and owner of public housing in the City of Richmond, with 4,000 units of public housing under its auspices. There are 3,500 Section 8 vouchers in the City of Richmond and adjoining counties.

The goal of the agency is deconstruction of poverty; currently there are six housing project developments within a couple of miles of each other.

Redevelopment of Frederic A. Fay Towers, which provides housing for seniors, is under construction, and 400-plus units in two public housing projects are part of a redevelopment effort near Creighton Court.

In subsidies and capital funds, the RRHA has \$6 million in operating funds (approximately \$750 dollars per unit), but there is a \$150 million need in the city. There is a \$20 million need to improve dilapidated infrastructure in Richmond; nationwide there is a billion-dollar backlog of dilapidated housing needing redevelopment.

Regarding the plans for Richmond's East End, that the Commission discussed last year, a partnership was formed with Community Builders and capital grant and building funds from the federal Choice Neighborhood Initiative (a bigger version of HOPE 6) to redevelop public housing using public and private dollars were applied for from HUD. Transforming the neighborhood would have entailed an initial \$30 million and a \$200 million total effort; unfortunately, the City of Richmond was not selected for the neighborhood transformation moneys.

There are, however, plans for adding housing within the City of Richmond, including building 77 new units in Highland Park and the renovation of the historic Baker School into 51 senior units; the goal is to have the development take place in phases.

In Jackson Ward, RRHA is working to reconnect neighborhoods by adding 72 units of senior housing and 122 market-rate units, each using Low Income Housing Tax Credits (LIHTC) for a subsidy for the land. Currently, there is also a concept to develop a boutique hotel in Jackson Ward during the next phase. This project and other such projects of RRHA will try not to rely on funding from HUD for the projects. Pictures of the Jackson Ward and Baker School development projects can be found in the document titled "Public Housing Transformation: Jackson Ward and Baker School Redevelopment" under the *Meetings/Materials* tabs on the Commission's website.

On positive note, a neighborhood center is being built in Church Hill through a private/public partnership. The Markel family donated funds to alleviate the food desert by initiating a grocery store development project, and J. Sargeant Reynolds Community College is establishing a culinary school in the neighborhood. Overall, the neighborhood has received an infusion of \$25 million in private equity.

Elizabeth Palen, Director of the Commission, discussed the work plan and introduced the topics to be covered during the interim. She explained that some topics were assigned by the legislature during the 2017 Session of the General Assembly for the Commission to study, and other topics were sent by letter of request to the Commission. The list of topics is posted on the Commission website as "2017 Referred Legislation and Requested Studies" under the *Meetings/Materials* tabs. Ms. Palen explained that the list is not exclusive and topics will be added to be studied by the Commission, this interim, as needed. She also noted that each topic has been assigned to a workgroup composed of legislators and stakeholders where each will be thoroughly vetted.

The chair asked for public comment, and, hearing none, he adjourned the meeting at 3:15 PM.

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ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Wednesday, September 13, 2017, 10:00 AM
House Room 1, The Capitol

- I. Welcome and Call to Order
 - ◆ Delegate Danny Marshall
- II. Housing for People with Mental Illness
 - ◆ The Honorable Ken Stolle
Virginia Beach Sheriff
- III. Progress Report from Strategy Group for Seriously Mentally Ill
 - ◆ Bill Shelton
Director of DHCD
- IV. Building Materials and Code Compliance for Virginia High-Rise Structures
 - ◆ Kenney Payne
Virginia AIA
- V. Reports from Workgroups
 - ◆ Senator Mamie Locke
Neighborhood Transitions
 - ◆ Delegate Chris Peace
Affordable Housing
 - ◆ Delegate David Bulova
Common Interest Communities
- VI. Public Comment
- V. Adjournment

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GENERAL ASSEMBLY BUILDING
201 NORTH 9th STREET, SECOND FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-786-3591 ext. 210
epalen@dls.virginia.gov
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VIRGINIA HOUSING COMMISSION

Meeting Summary

Wednesday, September 13, 2017, 10:00 AM
House Room 1, The Capitol

Members of the commission present were: Delegate Marshall, Senator Locke, Senator Barker, Delegate Bulova, Delegate Carr, Delegate Knight, Delegate Peace, Ms. Lafayette, Mr. Pearson and Ms. Palen, Director.

The Virginia Housing Commission members heard presentations from two outside speakers; Bill Shelton of the Department of Housing and Community Development (DHCD) and Kenny Payne, Architect. The third speaker on the agenda, Sheriff Ken Stolle, needed to reschedule his appearance and will attend the full Commission meeting on December 6, 2017 at the Capitol. Additionally, each of the Workgroup chairs gave a progress report during this meeting.

Bill Shelton, Department of Housing and Urban Development (DHCD), spoke to the Commission about housing persons with serious mental illness. (See presentation under materials).

The study is to have a broad stakeholder group to gather specific recommendations for those persons with severe mental illness and their housing needs.

He described the genesis of the group; it was formed through the Deeds Commission (Joint Subcommittee Studying Mental Health Services in the Commonwealth in the 21st Century) and a budget amendment.

Virginia Housing and Development Authority (VHDA) has brought in a consultant with the national consulting firm Technical Assistance Collaborative (TAC), who will facilitate the process and interview stakeholders.

It is too early to talk about results, since only one meeting has taken place, with a subsequent meeting the third week in September. The group is looking primarily at establishing permanent supportive housing but not solely, because there also needs to be non-permanent housing options for some of this population. The key component discussed was whether or not it should be scattered housing. Another key issue is income and the ability for the housing to be affordable.

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Jails or health care facilities house those who are severely mentally ill an average of 70 days per year. Shelton said this should, and can be, reduced significantly. If a rent subsidy is offered initially, then fewer additional housing units will need to be built. Persons are less likely to go back to a mental health facility and this opens up beds for those persons with mental health emergencies not a need for long-term housing.

DHCD will give an annual report to chairs of House Appropriations and Senate Finance Committees of the General Assembly on the first day of session.

Kenney Payne, Virginia AIA, reported about the tragic fire and destruction of the London high rise and compared its structure against the requirements in the Building Code in Virginia. The tower was constructed in the 1970's of concrete, rose to 24 floors and was not sprinkled. The tower had one stairwell. He noted officials in London have not yet completed the final report.

To add some historical perspective, beginning in the 1970's all high rises in Virginia needed to be sprinkled and in the 1990's all residential buildings over 150 feet needed to be sprinkled. The building in London had one stairwell into the center of the lobby; stairwells in Virginia must be along sides of buildings. The Code in Virginia says you must have a service elevator. There was no service elevator in the London building where the fire took place.

Additionally, thermal, fire-resistant barriers are required in Virginia; in contrast the building in London did not have a proper draft stopping metal panel, Virginia requires the panels to be fire resistant.

The Basic Building Codes throughout the United States are far more stringent. Virginia has adopted the Uniform Statewide Building Code which is enforced by localities who can amend only by adding additional requirements.

Most 75 feet or taller high rises are concentrated in Northern Virginia, and are required by Virginia's Building Code to be sprinkled. The Virginia Rehabilitation Code covers any hotel over four stories and college dorms.

A question was asked to the localities and counties—what is the universe of high rises in Virginia and how many older buildings do we have that are not retrofitted? An answer will be provided at the December meeting.

Systems in Virginia are updated every three years and in two months the cycle will begin again to determine revisions and changes.

Building and Fire Codes are past half-way point for the next bundle of codes being amended and adopted in Virginia. Meetings are occurring and this open-ended process soon concludes as a new Statewide Uniform Building Code will be adopted in 2018. There are several controversial issues remaining from the 2015 International Code that will be solved in this cycle. The Chair,

Danny Marshall, requested that a report on the major changes as adopted this fall be added to the agenda for Virginia Housing Commission to be held in December.

Senator Mamie Locke gave the update for the Neighborhood Transitions and Residential Land Use Workgroup.

Concerning HB1934 dealing with excessive police calls to residential hotels/motels, Chip Dicks reported the group of interested participants has provided input and he was on version three of the proposed bill draft and is coordinating the comments.

Hotels/motels which primarily house (full-time residents/not as temporary residents) drug addicts and prostitutes are responsible for a disproportionate amount of crime in the neighborhoods.

The bill draft purports to civilly fine hotel/motel owners who have excessive phone calls to police as a way of curbing criminal behavior (police brought this issue forward). Housing Opportunity Made Equal spoke of disparate impact on abused women.

Let Elizabeth Palen know if you would like to receive the draft; it will be discussed in depth October 18 at the Neighborhood Transitions Workgroup meeting.

Also, on the bill draft concerning smoke and carbon monoxide detectors and local regulations, there has been a confluence of comments. Legislation incorporating all comments is being drafted and will be presented for comment at the October 18 meeting of Neighborhood Transitions. The main issue being addressed is the fact that smoke and carbon monoxide detectors have different requirements for certification throughout the Commonwealth. The goal of the legislation is to create a uniform policy concerning the detectors.

Delegate Chris Peace gave the overview of the Affordable Housing and Real Estate Law Workgroup.

The group met on Wednesday May 10 and had a Sub-workgroup on Thursday June 1, 2017. Two bills were discussed in conjunction with one another-- (HB 1638, HB1639; J. Leftwich, 2017)

Delegate Jay Leftwich spoke to the workgroup about prohibiting a landlord from requiring his tenant to agree to subrogation for damages or rental insurance. He also spoke briefly to the case where there is a financial arrangement between the insurer and the landlord.

The Association of Realtors and Independent Insurance agents also spoke and said the Bureau of Insurance needs to offer an opinion if the issue is to go further.

Several issues were discussed in depth including that tradespeople will not do work unless they are held harmless. It is not rare in commercial contracts to require subrogation, but is not such a common practice in home rentals, although it is built-in with current personal lines of insurance.

Additionally, home owner policies do not waive liability of others/joint/severable liability (example: insured has dog, landlord lets the dog out, dog bites child.) Also, you can require tenant to have rental insurance which keeps down the cost of security deposits.

One argument was that if you are a part owner of a title insurance company you must disclose that fact, as an attorney you must also disclose, so there is no reason for a landlord not to disclose.

The issue was not resolved in the meeting but Chip Dicks met with the Bureau of Insurance after this meeting and there is actually a waiver in every homeowner rental policy that is a standard provision. The insurance agents who spoke with Delegate Leftwich evidently did not understand it was a standard provision and that a rider cannot be written. -Realtors will not waive that provision.

The next issue in the workgroup was concerning lease agreements and late charges and how they are applied. (SB 993; W. Stanley, 2017)

Senator Bill Stanley brought the bill to the General assembly in 2017 at the request of Christie Marra, Poverty Law Center.

The issue is when rent is paid, any late fees that have been paid are applied first to late payments. This confuses tenants and hurts those with fragile credit as amount owed cascades month by month. The proponents asked for a 5% ceiling on late fees or for amount to go first toward rent.

The counter argument was that all charges are considered by the court to be contracted for in a rental agreement. there is not a cap on mortgage payments when late. A consequence would be that landlords would be less inclined to allow those with poorer credit to rent from them.

No conclusion was reached at this meeting although a spirited discussion took place. A Sub workgroup meeting was scheduled and the conclusion was that standard accounting principles allow late fees to be paid first as part of the contract. A draft bill was produced from the Poverty Law Center but it was not the wish of realtors or the patron for this bill/topic to go forward.

Common Interest Communities Workgroup had a progress report given by Delegate David Bulova.

He said that two bills had been referred from 2017 Legislative Session from Senator Siobhan Dunnavant and Delegate Vivienne Watts; Senator Scott Surovell had ideas for proposed legislation.

At the earlier meeting Senator Dunnavant spoke about SB 1401 (SB1401; Dunnavant, 2017) which was drafted because a constituent brought forth an issue involving Grey Oaks, a 450 home community and planned development built in 2003. The declarant still remains in control of the board and will continue to do so, as stipulated in the contract, until 100% of lots are sold. There have been low sales in the development and the homeowners are upset because they have "no vote, no voice." The homeowners asked, and were denied, a phasing-in period for board representation. They feel it is unjust as they are paying HOA fees and they do not have a promised playground, and there are still unpaved neighborhood roads.

The solution was to work toward a shoring-up process with localities, determine if bonds are in place or conditions have been proffered. Additionally, there should be transparency for homeowners achieved through developing a best practices (gold standard of what communities should have) manual and transparency in books and records so that the expectations of future home owners can be managed. A sheet with the disclosure packets outlining board controls etc. was also suggested at the meeting.

Fees for disclosure packets by associations not professionally managed was discussed by Senator Vivian Watts (HB2376; Watts, 2017) at the meeting and she said this is her third year pleading the case that fees should be the same for self-managed organizations as those with a paid manager. Originally, people thought self-managed meant that the organization was formed when there were 10-20 homes on a leftover street, but close to 25% of self-managed associations are comprised of 500 or more homes.

The cost to an association to be professionally managed is \$30,000-40,000 so it is not always cost beneficial for the homeowners. A special assessment would be needed to provide the fee as the original documents from associations of a certain age say costs cannot be more than cost of living.

It was mentioned that the original idea was for a 10-cent per-page fee for copies and volunteers should not be paid. A discussion ensued about the interplay between condominium/POA act and recodification of Title 55 (But, please note: no substantive changes may be made in the recodification).

The workgroup as a whole expressed that preparers ought to be reimbursed for disclosure packets as long as it is of the same quality package as that of professionally managed organizations. Electronic filing among professionally and non-professionally managed organizations should be highly encouraged.

Senator Scott Surovell spoke to three homeowner and condominium owner association issues at the Common Interest Communities meeting. The first concerned HOA/COA Insurance Minimums.

He mentioned a partial building collapse resulting in the condemnation of 35-40 units do to improper maintenance. The association maintained an \$87M policy for fire/flood, but only

\$1M for general liability so all homeowner's sustained massive uninsured losses. Therefore, HOAs/COA's should maintain sufficient liability insurance relative to the value of the property they are insuring. This will obviously result in some increased insurance expense, but it should not be significant relative to their risk being insured.

Senator Surovell suggested general liability insurance minimums should be equal to greater of \$1M or 50% of value of assets under management. The workgroup did not have agreement as questions were raised if Lloyds of London would need to be secondary insurer. Also, there is a need to look for liability and negligence and determine who was negligent.

Additionally, Senator Surovell discussed issues regarding capital reserves and storm water including the fact that many privately maintained storm water facilities are out-of-compliance and require maintenance. He noted he has never seen a reserve study that either evaluated storm water facilities or projected capital needs relative to maintaining them.

He suggested local government was asked to ascertain what may be needed in this situation. It was proposed to explicitly require storm water facilities to be assessed and projected as part of the five-year capital reserve study and require the annual audit to be available to purchasers. There was tacit agreement among the workgroup members.

Also, to include a conspicuous statement in each budget, as to total amount of unfunded capital needs pursuant to the reserve study and the amount divided by the number of homeowners and amend Code of Virginia sections 55-509.5 and 55-79.97 to require the same thing in the disclosure packet. An issue regarding redacted records for HOA/COA's was also discussed as current code is silent as to whether an entire record can be withheld if it contains exempt information or whether it must redact.

The proposal suggested was to require HOA/COA's to redact exempt information from records instead of withholding entire records. Senator Scott Surovell said if any document has objectionable material under 59-79.74:1(c) or 55-510(c), then the record must be produced in redacted format - basically paralleling the provisions added to FOIA in 2016.

Those opposed said that salary information is protected in condominium associations and in POA's certain salaries, at certain levels do not have to be disclosed. The CIC is not required to withhold information but many do, and they may do so as they are private entities.

Heather Gillespie, Ombudsman of DPOR, reported that she has many calls concerning the misrepresentation of facts concerning time-share properties. The Workgroup did not make a decision as to what to do in this regard.

The Chair of the Commission asked for public comment and hearing none, the meeting was adjourned at 12:15 PM.

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Wednesday, December 6, 2017, 10:00 AM
House Room 1, The Capitol

- I. Welcome and Call to Order
 - ◆ Delegate Danny Marshall
 - II. Housing for People with Mental Illness
 - ◆ The Honorable Ken Stolle
Virginia Beach Sheriff
 - III. Final Report: Impact of Housing for Virginia's Economy
 - ◆ Mel Jones
Research Scientist, Virginia Center for Housing Research at Virginia Tech
 - ◆ Terry L. Clower, Ph.D.
Northern Virginia Chair, Professor of Public Policy, George Mason University
 - ◆ Andrew P. McCoy, Ph.D.
Director, Virginia Center for Housing Research at Virginia Tech
 - IV. Overview of Topics Studied, Referred Bills and Proposed Legislation:
Criminal Blight, Smoke and Carbon Monoxide Alarms
 - ◆ Elizabeth Palen
 - V. Vote to Endorse Legislation
 - VI. Real Estate Trends
 - ◆ Laura Lafayette
CEO, Richmond Association of Realtors
 - VII. Public Comment
 - V. Adjournment
-

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET, EIGHTH FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

Meeting Summaries

Wednesday, December 6, 2017, 9:15 A.M.
House Room 1, The Capitol

Neighborhood Transitions and Residential Land Use

At 9:15, the **Neighborhood Transitions and Residential Land Use Workgroup** met. Senator Mamie Locke called the meeting the order at 9:15 A.M.

Workgroup members present were:

Senator Mamie Locke, Senator George Barker, Delegate Betsy Carr, Mark Flynn, Lawrence Pearson, Ron Clements, Tyler Craddock, Cindy Davis, Chip Dicks, Brian Gordon, Michelle Gowdy, Kelly Harris-Braxton, Joe Lerch, Barry Merchant, Katherine Payne, A. Vaughn Poller, Elizabeth Rafferty, Earl Reynolds, Ed Rhodes, Neal Rogers, Lauren Schmitt, William Walton and Jerry M. Wright

Elizabeth Palen explained the meeting format – the meeting would be brief and would consist of reviewing two pieces of proposed legislation: (i) criminal blight and (ii) carbon monoxide and smoke alarms. These pieces of proposed legislation had previously been sent to all interest parties and several changes have been incorporated to alleviate concerns of all parties.

Chip Dicks led the discussion of the proposed legislation--the content is listed in the full Commission meeting.

The meeting was adjourned at 9:45.

Full Commission

The meeting was called to order at 10:00 A.M. by the Chair, **Delegate Danny Marshall**.

Introductions of the members were made and a quorum was present. Members present were: Delegate Marshall, Senator Locke, Senator Barker, Senator Stanley, Delegate Carr, Delegate Knight, Delegate Peace, Mr. Flynn, Ms. Lafayette, Mr. Pearson and the director, Ms. Palen. Delegate David Bulova was approved to participate by phone; he was unable to attend in person due to a business conflict.

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

The Commission approved wording of a policy for member approval by electronic means (see attachment) It will apply to workgroups and full Commission meetings.

The agenda was composed of speakers who addressed issues that are pertinent to the Commission as well as an overview of topics covered during the interim. Drafts also were voted on for endorsement to be introduced during the 2018 legislative session.

Housing and Persons with Mental Illness from a Sheriff's Perspective

Sheriff Ken Stolle spoke to the Commission about how as Sherriff of Virginia Beach he houses persons with mental illness and how lack of housing in the community impacts the mentally ill in his district.

He said he was a police officer for 11 years before deciding to study law, and later became a senator. In 2009 he left the Senate and became Sheriff of Virginia Beach in 2010.

The Virginia Beach Correctional Center (VBCC) is essentially the largest shelter; it houses 1,438 inmates, 438 of whom are mentally ill, which is one quarter of the inmates, adding a huge budgetary strain.

Stolle raises five to six million dollars through grass cutting services to add to the \$48 million budget (decreased from 2009 budget). VBCC does not receive any monetary assistance for helping the mentally ill persons who are incarcerated.

When he began as sheriff, mentally ill were sent to medical isolation; that is a block of 18 cells with 4x8 cells and no windows. They were quite unsatisfactory for many reasons. The jail has moved to a more progressive pod system where some inmates are eventually moved to general population. There are suicide and detox blocks as well.

Sherriff Stolle has asked the Community Services Board to take over mental health treatment in the jail. They refused because if the Board begins to provide services, it has to continue providing services to the individuals. Once those formerly incarcerated finish serving their time, the Community Services Board can't provide service when they are released from jail. There is no seamless transition to life outside of jail.

Currently the Virginia Beach jail has a 92 percent recidivism rate among those who are mentally ill. All deputies are specially trained so now there are virtually no assaults on deputies. There is also a 92.5% medication compliance rate which is phenomenally good. Assaults on deputies are essentially caused due to the inmate wanting to stay in jail and they know that this action will assure the continuance of the incarceration.

Every solution to this issue, Stolle believes, begins with housing options and a means to transition from jail to appropriate shelter. Many jailed mentally ill individuals do not feel safe when they are released. They have exhausted the availability of family help and have committed only minor felonies, or misdemeanors. The judges have very few options other than incarcerating the

individuals. Stolle is grateful to have the resources to help those who come to VBCC because there is not any viable alternative placement.

There is a need for places that are safe, a home where these individuals will stay on their prescribed medication. When mentally ill persons are released they receive three days of medication; an appointment with the community service board takes weeks to months and the ill person cannot get a prescription and is likely to go off medication.

If there is no housing, Stolle says, all other measures are a waste of time; there is a huge systems failure if detained persons who are mentally ill are begging not to get out of jail.

There are 5,000-7,000 mentally ill persons in jails across Virginia; and of those who need treatment approximately half are dangerously mentally ill. If action is not taken people will hurt others or themselves. This is an extremely important issue - the biggest issue in the community as far as Stolle is concerned.

Housing is critically important and anything the Virginia Housing Commission can do to help obtain resources for housing or a half-way house in jail, Stolle asked the Commission to seriously consider his ask.

Housing and the Economy

Bill Shelton, Director, Department of Housing and Community Development, spoke about state housing policy. As a result of Executive Order 32 the housing policy group began meeting three years ago in an effort to explore linkages in housing and economics and housing broader context. This was an independent look at the housing industry and how it ripples through the Commonwealth. The report of independent research was released at the Governor's Housing Conference in November. VCU, William and Mary, George Mason University and Virginia Tech are the research universities that have all worked together to develop quality research and to lead the discussion in how housing fits in the economy in a broader sense. This independent research group formed a consortium who released the report presented today.

The report puts in context how housing, in a broader context fits in to the key findings on housing policy. All the information will assist in working with a new administration.

Mel Jones and Andrew McCoy Virginia Tech Housing Policy Center

Mel Jones and Andrew McCoy from Virginia Tech presented an overview of study findings on how housing is connected to economic development. (The study is available on the Virginia Housing Commission website.)

First, Mel Jones began by speaking about the market implications of not having appropriate housing. The consortium presented its Phase I finding to the Commission earlier. To recap, the housing industry is the sixth largest in Virginia, provides over 300,000 jobs and adds \$14.8 billion in economic activity.

Today's presentation focused on Phase II of the study; housing supply and demand, the implications of quality, quantity as well as location of housing production and demand, what are the needs to provide for future workforce and how housing can impact growth.

These are the key findings:

- There is a shortage in every region of affordable housing that makes persons housing cost burdened. There is a need for substantial new housing and the homebuilding industry faces challenges.
- Millennials need affordable housing and it is not available.
- There is a positive linkage between housing and lower transportation costs; good transportation means that you don't have people look for places to live that offer more advantageous housing costs.
- In the urban crescent. i.e., Northern Virginia, Richmond, and Tidewater, high housing costs make it difficult for those of low and moderate income (stretching up to 120 percent of area median income). It contributes to making areas less attractive; especially in Northern Virginia - dense development makes some places more affordable.

The micropolitan area, defined as the reverse crescent and Charlottesville, Lynchburg, and along the 81 Corridor, boasts lower housing costs and some people are leaving the metropolitan areas and moving to these locales because the cost of living makes these areas more desirable. An issue, however is high transportation costs as people commute from Harrisburg to Charlottesville and like areas. The transportation costs are primarily related to distance; lower income individuals take different routes to avoid tolls.

Micropolitan regions have a population decline; they have few amenities and tend to lose residents. In the coal fields some are commuting from Kentucky because Virginia has the jobs but not affordable good housing.

The Martinsville/Danville area has great housing blight that is an on-going challenge. A good success story is the Riverwalk in Danville; the city is using it as a catalyst to re-invigorate and revitalize their downtown.

Good news for rural jurisdictions - people, most particularly millennials, just want an urban feel not necessarily to live in an urban area. Demand for housing in towns, rural towns are capitalizing on this fact. People want to walk to a bar, library; they no longer live in the county and want to come to town for supplies. There are lots of opportunity for revitalization in rural areas of the Commonwealth.

In some rural areas like Bath County, the second home market is causing housing prices to rise. The consequence is only those people who have inherited their homes can afford to work low-income jobs; micro-density is needed. It is hard for businesses to attract low-wage employees because they cannot secure housing.

A large issue statewide is the maintaining of older housing stock, what to do when housing has become irrelevant and is vacant - what do you do with it? Older mobile homes and their vacancy equals a public health issue.

Broad findings:

- There is a need for 225,000 net new housing units between now and 2024. People will not come to Virginia if housing is not affordable and appropriate. Likewise, we need to prevent those who live here from leaving the state for the same reasons.
- In the Commonwealth one in three are housing cost burdened; one in ten are severely (over 50% or more) housing cost burdened.
- If construction companies or companies that provide housing partner with employers, the state can retain people more effectively and move toward business expansion.

Housing production

Productivity drives growth and the new housing being built is less affordable. Entry level housing needs to be produced at an affordable rate and because of the cost of existing housing, the state has not seen growth since the last recession.

The issue is not just demand, but also for Virginia to improve on the supply side. There is a need for the education of the industry, a need to adopt technological plans to build housing. Also there is a need to build parts of housing from the ground-up so, as a state, Virginia can help drive the manufacturing industry.

Housing and community renovations

Through discussions, it was found in Virginia that there is a nexus between increased demand in downtown living and historic buildings.

Virginians appreciate the lineage when revitalizing historic buildings. This is accomplished combining the use of low income housing credits and historic tax credits. When infill housing is used to ameliorate transportation costs, people pinpointed there was a rise in new talent and entrepreneurs in that area, citing Petersburg as an example. And in Blacksburg an abandoned historic bank building was renovated into housing. There needs to be a density bonus for preservation of historic buildings and this will help loosen tight markets.

Delegate Chris Peace commented that Blacksburg does indeed look totally different. He mentioned that the Main Street Program is statewide and has helped Ashland and Kilmarnock.

Academic studies have shown that something as simple as hanging baskets of flowers from posts generates support for renovating the downtowns.

There is a need for innovative zoning; including parking solutions that can be built out so the parking area can house other uses when automated vehicles come into the state. The thought is that in five years' time won't need as much parking and will have other types of transportation. New technologies drive the trend to moving into rural towns.

Housing and economic opportunity

There needs to be an emphasis on children as they are our future workforce and need safe, stable, affordable and appropriate housing to avoid negative consequences. Parental stress and moves due to poor housing lead children to change from school-to-school or even to new school districts. These transitions hurt all children at schools. Appropriate housing supports child development.

Peace asked, is it a right or a privilege to have housing?

A discussion ensued. Comments were that globally, housing is not accessible so that would lean toward it being a privilege but, how not providing that privilege hurts all economically and emotionally. Congregate, dense housing of housing projects has had a negative effect. The goal is to have mixed-income housing as all people living in community together influence one another. Poor consequences occur when there is isolated poverty, it influences all other aspects of people's lives.

Laura Lafayette recommended reading Mathew Desmond's, *Evicted*; its premise is that housing is a right. (Summary is available on the VHC website.)

Other points included in the conversation:

- Children's lack of access to education hurts the economy
- High quality housing leads to good overall health
- To support future housing needs based upon the high growth trajectory, building needs to be ramped up

A suggestion was made that the state and local governments need to partner with companies and nonprofits to facilitate production of housing. Decisive planning and policy in Virginia needs to be made as there is a federal devolution of funding. Virginia wants a migration of talent into the state - - don't want to fall into a lower growth scenario; look to appendices of report for more on this issue.

The way forward is to provide housing near job centers for more efficiency and to off-set transportation costs, thereby decreasing cost-of-living.

It is better for the state to establish local consolidated production firms. Virginia does not have local tradespeople and needs to encourage the growth of construction trade among young people.

The wave of the future is in *housing technology* such as, modular housing manufacturing which could bring jobs and economic development to Virginia, instead of, or in addition to North Carolina.

Delegate Danny Marshall said that it was his understanding that there has not been a reset of single-home starts since the of recession of 2006-2008. Additionally, he pointed out the Federal Reserve reports indicated that vast student loan debt makes younger people unable to qualify for mortgages. Also, federal banking regulations mean local banks cannot grant developers money to build spec houses.

Interim Studies

Elizabeth Palen gave an overview of topics covered during the interim. This year three workgroups heard a variety of issues: Neighborhood Transitions/Housing and the Environment, chaired by Senator Mamie Locke; Affordable Housing and Real Estate Law, chaired by Delegate Chris Peace and Common Interest Communities chaired by Delegate David Bulova. Each had in-depth discussions and experts testify on the issues.

Topics referred to the Commission included: (HB1628, HB 1639, Leftwich, 2017) which were heard by the Affordable Housing and Real Estate Law Workgroup. Delegate Leftwich came to speak about the Virginia Residential Landlord and Tenant Act; insurance; and the early termination of rental agreements and Virginia Residential Landlord and Tenant Act; disclosure of relationship between landlord and insurance companies. The workgroup looked at case law and had insurance representatives speak to the group. After the meeting Chip Dicks met with the Bureau of Insurance and it was determined that a waiver is standard in each homeowner policy.

This issue was resolved through the State Corporation Commission and the patron was satisfied with the result; therefore, there is no recommendation for these bills to go forward this legislative session.

Senator Stanley's (SB 993, 2017) bill concerning late fees, and the cascading of those fees was discussed in depth in two forums, the Affordable Housing and Real Estate Law Workgroup and a specially created sub-workgroup. It was determined that in order to eliminate the accrual of these fees, it would necessitate a change in accounting principles and it was therefore, not recommended by the workgroup to go forward.

Senator Frank Wagner's (SB 1575, 2017), concerning Real Estate appraisals and the fees appraisers are paid was discussed as well. The Workgroup heard from many appraisers about the fee schedule and fees that are allowed; DPOR was asked to more fully address the issue.

Affordable Housing and Real Estate Law Workgroup heard (SB 1515, Wagner), concerning manual entry door hardware. The Workgroup heard a presentation from Dr. Gail Mattola as well as from the Building Codes experts at DHCD; going forward this issue may be incorporated into the statewide building code and Dr. Mattola was invited to participate in the next cycle of Building Code meetings.

In the Common Interest Communities Workgroup Delegate Watts (HB 2376, 2017) spoke about non-professionally managed associations and the Property Owners' Association Act and the need for non-professionally managed associations to charge a comparable fee to that of professionally managed associations. There was not a consensus within the workgroup for this to move forward.

Senator Scott Surovell brought several issues concerning common interest communities of the group and they will be continued to be studied next interim.

Senator Siobhan Dunnavant (SB1401, Dunnavant 2017) spoke to the group about lot owner representation --the issue is owners who do not step off boards because provisions in the contracts

have yet to be completed. A solution was to have localities become more involved at the initial stage of zoning and site approvals, and then to follow through more clearly.

By letter request VHC received a request to study procedural barriers to project-based bonds from local housing authorities; this was a Department of Housing Community Development issue. The parties met and resolved the issue.

In the Neighborhood Transitions Workgroup Delegate Carr's (HB1934, Carr, 2017) concerning excessive calls was constructed in another manner and approved by the workgroup to go forward. It will be explained in depth by Chip Dicks. A proposed bill on carbon monoxide and smoke alarms was also approved by the workgroup and will also be explained in concept and form by Chip Dicks.

Chip Dicks said this bill is a consensus bill and conflicts have been worked out in workgroup meetings.

He said he took the Carr/Dance bills from 2017 session (HB 1934, Carr, 2017 and SB 1182, Dance, 2017) and recrafted them to find a better solution to the issue.

He amended the drug blight statute (one that he crafted 25 years ago) and added sex trafficking and prostitution into the statute. It is a local government enabling statute, so localities could pass an ordinance saying this particular property is blighted and the property owner would be required to take corrective action on physical issues i.e. like fencing. If the locality wants corrective action to be taken, the locality would have to swear under oath that the property owner was causing the property to be blighted and unsafe for the community.

When the locality takes action and puts a lien on the property the owner has to take corrective action within 30 days.

The Commission was asked to look to page 4 lines 84-96 -he explained, if a tenant or guest in a hotel is a problem and the landlord takes action against that tenant or guest; that constitutes sufficient action--if the locality goes overboard and if there is undue financial burden on the owner, the owner won't have to take action.

He further explained, when a motel/hotel is harboring this blight, a law enforcement official can get an inspection warren to get the guest registry.

This applies to any real property, but the focus is on motels that are used as hubs criminal activity. This is a civil offense, and circumstantial evidence makes it difficult to make a conviction but the real concern is about cleaning up the property overall.

Although this is different from criminal constraint, **Senator Bill Stanley** suggested there may be potential overreach and suggested adding language saying any evidence found can't be used in a criminal case and will not therefore, create a rational way of going around 4th amendment. You shouldn't be able to use a criminal blight inspection warrant if couldn't otherwise obtain a warrant. But, he is in agreement to amend in concept with the draft but would like some work on the search/seizure issue.

Delegate Betsy Carr mentioned that she heard from other legislators, some in rural localities and this is not just an urban issue.

There was a motion to endorse the proposed legislation and a second; Delegate Carr will carry this for the Commission.

Former Delegate Chip Dicks then presented the **Smoke and Carbon Monoxide Alarm** proposed legislation. The following summarizes what he reported comprises the draft legislation and the justifications for change.

Smoke alarms are regulated several different ways currently localities have the right to do so; some will have to be modified to come into conformance.

Chip Dicks mentioned that at the **Neighborhood Transitions Workgroup** held at 9:15 today, an amendment was added on line 22 of the draft saying nothing shall be construed to imply that a smoke alarm installed in accordance with a past edition to the Building Code (so most remodeled time frame.)

The previous statute pre-dated 1988 Fair Housing Law that is now incorporated in the normal process of installing smoke and carbon monoxide alarms. Line 94, struck other provisions and lines 107 through line 124 added the Landlord Tenant Act. -On page 6 the draft explains how the landlord would perform an inspection once a year and give a certificate; and this will be best practice throughout Virginia.

On lines 192-197 there is reconciliation of the Landlord/Tenant Act and Residential Landlord Tenant Act by bringing over the provisions into the draft.

On lines 250-253 referring to inspections and certificate of good working order, -the enactment clause is added because localities need time to pass ordinances to come in to compliance with the legislation. DHCD has agreed to a one meeting stakeholder group that will decide what the form look like, and the tenant obligations concerning smoke and carbon monoxide alarms.

After a motion and a second to recommend the proposed legislation: Delegate Carr will carry for the House and Senator George Barker for the Senate.

Delegate Marshall asked that other Housing Commission members sign on to each piece of endorsed legislation.

Laura Lafayette, CEO Richmond Association of Realtors; on behalf of Virginia Realtors

Lafayette reported that for her industry the number one concern is lack of inventory. There is an increased demand as millennials are now entering the market and as there has been delayed household formation but now there is increased eagerness to purchase homes. The economy in Virginia is outpacing nation and that confidence produces housing purchases.

Institutional investors put cash into the real estate market; they are less worried about pricing; in the Richmond region that purchase the small houses and add additions to create more expensive housing. for resale.

Seniors are aging place because of lack of choices in appropriate housing. There is a mismatch in the products being built and affordable price. Many Richmond area seniors own their homes without a mortgage but over 70 percent of senior homeowners in the region have homes worth less than 200k --340k is the average house price to move to an age appropriate home. Pricing trends are driving lack of inventory, after the market bottomed out in 2011 there has been a steady increase in price since then, since 2014 the median price has risen eight percent. The mortgage rates are at historic low rates --when she purchased her home in 1990 she had an 18 percent mortgage rate-- these very low rate are also driving demand for housing.

The rate of growth began tapering off in 2016 and slowed in 2017 and is currently slowing more. This is reducing housing market because lack of inventory and high demand means the seller is in control. A buyer needs a full price offer if they want to be successful in purchasing a home. A seller will see growth in equity and local government revenues will increase in every single jurisdiction.

Delegate Chris Peace said it is hard to focus on affordability in Hanover when new home starts are down and local policy officials find ways to partner with private sector.

Lafayette responded that density is key because the price of dirt is price dirt, the challenge is to zone for locational efficiency, -there is a need more units on each parcel, need more -secondary road funds so a person can get to work in reasonable amount time.

Delegate Betsy Carr said that the Richmond delegation asked for the Virginia Housing Commission to study and assemble representatives from throughout the Commonwealth including representatives of the Virginia Housing Development Authority, the Virginia Department of Housing and Community Development, local redevelopment and housing authorities, and local governments with large concentrations of public housing, to identify financing methods that could be developed or employed to assist localities in replacing concentrated public housing units. The Chair, and Commission agreed this was appropriate for the Commission and will be added to the 2018 work plan.

Delegate Marshall asked if there was any public comment and a speaker spoke about government in general.

Marshall thanked all for their hard work on the Commission.

The meeting was adjourned at 12: 22 P.M.

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



GENERAL ASSEMBLY BUILDING
201 NORTH 9th STREET, SECOND FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-786-3591 ext. 210
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Affordable Housing, Real Estate Law and Mortgages

Wednesday, May 10, 2017, 9:30 AM
House Room1, The Capitol

- I. Welcome and Call to Order
 - ◆ Delegate Chris Peace

 - II. Virginia Residential Landlord and Tenant Act: Insurance, early termination of rental agreements and disclosure of relationship between landlord and tenant (HB 1638, HB1639; J. Leftwich, 2017)
 - ◆ Delegate Jay Leftwich
 - ◆ Joe Hudgins
Independent Insurance Agents
 - ◆ Chip Dicks
Virginia Association of Realtors

 - III. Lease Agreements; Late Charge (SB 993; W. Stanley, 2017)
 - ◆ Senator Bill Stanley
 - ◆ Christie Marra
Virginia Poverty Law Center
 - ◆ Chip Dicks
Virginia Association of Realtors
 - ◆ Brian Gordon
Virginia Apartment Manager's Association (VAMA)

 - IV. Public Comment

 - V. Adjournment
-

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, III Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

SUMMARY

Affordable Housing, Real Estate Law and Mortgages Wednesday, May 10, 2017, 9:30 AM House Room1, The Capitol

Work Group members in attendance:

Senator George L. Barker, Senator William M. Stanley, Jr., Delegate Betsy Carr, Delegate Barry D. Knight, Mark Flynn; *Governor Appointee*, Laura Lafayette; *Governor Appointee*, Lawrence Pearson; *Governor Appointee*, Neil J. Barber; Community Futures, Robert N. Bradshaw; *Independent Insurance Agents of VA*, Paul Brennan; *VHDA*, Andrew Clark; *Home Building Association of VA*, Tyler Craddock; *VA Association of Housing & Community Development Officials*, Heather M. Crislip; *President & CEO of Home*, Chick Dicks; *VA Association of Realtors*, Brian Gordon; *Apartment & Office Bldg. Association of Metro Washington*, Michelle Gowdy; *VML*, Kelly Harris-Braxton; *Virginia 1st Cities*, Pam Kestner; *Dept. of Housing & Community Development*, Kelly King Horne; *Homeward*, Joe Lerch; *VA Association of Counties*, Katherine Payne; *Williams Mullen*, Renee Pulliam; *VA Apartment Management Association*, Jay Speer; *Poverty Law Center*, Elizabeth Steele; Stewart Title, William Walton; *Real Property, Inc.*

Staff: Elizabeth Palen, *Executive Director of VHC*

Senator Bill Stanley (in lieu of **Delegate Chris Peace**, Workgroup Chair) called the meeting to order at 9:30 AM and welcomed the workgroup members

- Discussed together-- (HB 1638, HB1639; J. Leftwich, 2017)
- **Delegate Leftwich** spoke to the work group about prohibiting a landlord from requiring his tenant to agree to subrogation for damages or rental insurance. He also spoke briefly to the case where there is a financial arrangement between the insurer and the landlord.
- Association of Realtors and Independent Insurance agents spoke/said need Bureau of Insurance to offer opinion if issue goes further

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

Issues

- Trades people won't do work unless they are held harmless. It is not rare in commercial contracts to require a subrogation but is not so common practice in home rentals although it is built in with current personal lines of insurance.
- Home owner policies don't waive liability of others/ joint/severable liability (example: insured has dog, landlord lets the dog out, dog bites child).
- You can require tenant to have rental insurance--this keeps down the cost of security deposits.
- If you are a part owner of a Title Insurance Companies must disclose that as an attorney/ no reason for landlord not to disclose.

There was not resolution of the issue at this meeting

Post script

- **Chip Dicks** met with Bureau of Insurance after this meeting--There is actually a waiver that is standard in every homeowner rental policy/it is a standard provision -- the Insurance agents who spoke with Delegate Leftwich were not aware it was a standard provision and can't write a rider --Realtors won't waive provision

Lease Agreements; Late Charge (SB 993; W. Stanley, 2017)

- Senator Bill Stanley brought bill at the request of **Christie Marra** Poverty Law center
- Discussion among workgroup members

Issue: When rent is paid, late fees paid are applied first to late payments:

- This confuses tenants
- Hurts those with fragile credit as amount owed cascades
- Asked for a 5% ceiling on late fees -- or for amount to go first toward rent

Counter argument all charges are considered by the court to be contracted for in a rental agreement

- There is no cap on mortgage rated
- Less inclined to allow those with poorer credit to rent

This issue was not resolved-a sub-workgroup will follow

There was no public comment and the meeting adjourned at 12:10 PM

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 E. MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Affordable Housing, Real Estate Law and Mortgages

Tuesday, September 26, 10:00 AM
House Room 1, The Capitol

- I. Welcome and Call to Order
 - ◆ Delegate Chris Peace

 - II. Manual Entry Door Hardware
(SB 1515, F. Wagner, 2017)
 - ◆ Gail Mottola
Lets Open Doors
 - ◆ Cindy Davis
Building and Fire Regulations, DHCD

 - III. Real Estate Appraisal Management Company/Compensation
(SB 1575; F. Wagner, 2017)
 - ◆ John Russell
American Society of Appraisers
 - ◆ Mark Chapin
Real Estate Valuation Advocacy Association
 - ◆ Rob Arthur
Virginia Mortgage Lenders Association

 - IV. Public Comment

 - V. Adjournment
-

COMMONWEALTH OF VIRGINIA

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POCAHONTAS BUILDING
900 EAST MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

SUMMARY

Affordable Housing, Real Estate Law and Mortgages Thursday, September 26, 2017, 10:00 AM House Room1, The Capitol

Work Group members in attendance:

Delegate Christopher Peace; *Chair*, Senator George L. Barker, Delegate Betsy Carr, Mark Flynn; *Governor Appointee*, Lawrence Pearson; *Governor Appointee*, Robert N. Bradshaw; *Independent Insurance Agents of VA*, Andrew Clark; *Home Building Association of VA*, Tyler Craddock; *VA Association of Housing & Community Development Officials*, Andrew Friedman, *VA Beach Dept. of Housing & Neighborhood Preservation*, Brian Gordon; *Apartment & Office Bldg. Association of Metro Washington*, Kelly Harris-Braxton; *Virginia 1st Cities*; Michelle Gowdy; *VML*, Joe Lerch; *VA Association of Counties*, Katherine Payne; *Williams Mullen*, Renee Pulliam; *VA Apartment Management Association*, Jay Speer; *Poverty Law Center*, Elizabeth Steele; *Stewart Title*, William Walton; *Real Property, Inc.*

Staff: Elizabeth Palen, *Executive Director of VHC*

- I. **Delegate Chris Peace, Chair of Workgroup** welcomed the workgroup everyone to the meeting called it to order.
- II. **Dr. Gail Mottola of Lets Open Doors of Virginia Beach** began the discussion and **Cindy Davis of Building & Fire Regulations, DHCD** offered the Building Code perspective.
 - **Issue:**
Gail Mattola spoke about manual entry door hardware and an inexpensive fix to delay the opening of doors. She says that there is a necessity to have it installed for people who are elderly, disabled or have young children to have doors have a five second delay to allow easier entrance to buildings.
 - **Solution:**
Cindy Davis explained how door hardware is currently regulated by the Uniform Statewide Building Code (USBC) that has three distinct parts.

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Under the construction code, Chapter 11, all accessible features from the ICC 317; International Code Council, which is what Virginia Code based on, staff architect are guided on which standards to use.

Part II of the USBC is rehabilitation portion of the Code. A determination is made to decide which method of accessibility is necessary and included are all alterations that involve a change of use of a structure. This issue is already regulated in the Building Code. It depends on how much readaptation is taking place in a building and references back based on the primary function area, and the Code in place when the building was constructed.

Part III of the USBC is the Maintenance Code; it says whatever you have installed you have to maintain. Adjustments to adhere to pounds of pressure can be made to doors. Not all counties are covered under the Maintenance Code, but, approximately 80% of counties are covered.

Delegate Peace inquired under Parts II and III of the Building Code would these of door handles be installed?

Cindy Davis replied that it depends what is occurring in the building if it is a store or if the building is renovated. If there has been a change of use the entire building may have to comply. Decisions are made on a case-by-case basis.

A question was asked, if the door is installed but not adjusted correctly is it in compliance? The answer is No -before CO certificate of occupancy everything is 1 checked--everything afterwards is maintenance issue.

Delegate Peace asked if the doors to the General Assembly Building being built are complaint. The answer was they should be as it is a new building.

If you believe a door is required to be complaint you may call your local building department--if it is required to be an accessible door and if the area has adopted the Maintenance Code, then it is required to be maintained.

- **Issue: Real Estate Appraisal 1517 Wagner III. Real Estate Appraisal Management Company/Compensation (SB 1575; F. Wagner, 2017)**

Several speakers spoke on both sides of the issue / no solution was reached on the issue. AMC refers to an appraisal management company.

John Russell American Society of Appraisers, a 501(c) (6); Virginia Coalition Appraisal Executives, the compensation for appraisers is determined from appraisal management companies and from interpretation of the truth and lending portion of the Dodd Frank Act.

Because of rapid expansion there needs to be a firewall between the appraiser and lender but the fees have lessened what appraisers receive. There needs to be an appraisal fee table; currently Virginian and West Virginian appraisers receive the same amount and a company out Detroit, Michigan makes the decisions for Virginia appraisers.

There is a need to look at each individual assignment not just use the terms customary and reasonable. What is occurring now is not within the spirit of law--just because someone is willing to do it doesn't mean fulfill requirement.

Renee Pulliam inquired if a lender may contract directly with appraiser? Answer is 80% of lenders use AMC's.

Delegate Peace said there needs to be a more market based approach but there is no natural market today.

Mark Chapin, who is an executive in the AMC industry as well as a Virginia certified appraiser is in opposition to the concepts in Senator Wagner's Bill No. 1575 as he believes it is anti-competitive. Fee appraisers are independent; there is no public good achieved by higher prices paid. Currently there are no legal disputes pending about paying custom and reasonable fees to appraisers.

Rob Arthur, is the branch manager for Fidelity Bank Mortgage, and Virginia Mortgage Lender's Association; immediate past President. It is the trade association for mortgage industry people; 100 people represent over 1,000 people. To change the current situation would drive up cost for homebuyers and now a third party service provider is independent from lenders. AMC's are highly valued partners that insure appraisals go well. The system is not broken and there is no evidence it needs to be changed. The free-market would be removed and he is concerned that it would ultimately harm consumers.

Chip Dicks said that AMC's are paid by bank which is different from Virginia law 2012. He wondered if Virginia would be out of compliance with federal law if Senator Wagner's bill passed.

III. Public Comment:

Matt Bruning, Virginia Bankers Association

He is opposed to bill; he said there is nothing in federal law saying you need to use an AMC.

Pat Turner

His appraisal license number in Virginia is No. 4, he has 45 years' experience.

The client fee (bank) \$790 AMC fee is \$445 -- AMC controls the order to appraiser and what the bank is going to charge. There are low fees and appraisals go to those who will accept the least amount of pay and Virginia then gets the least qualified appraisers.

He cited a Washington Post article from March 2017 -- a consumer was charged \$1400 by the lender and the appraiser received \$400. Originally he was in favor of regulation originally and he encourages others not to include their invoice but instead to send as a separate attachment. There is no AMC money coming into the Virginia economy.

There needs to be a change; now there is a blast order by text and the first to respond get the order. He has asked about the order and been told to check Zillow.

He told story of an AMC who didn't know what a conservation easement was; he spoke with a trainee licensee who didn't understand valuation of land.

Bernie Bugg

He is a certified appraiser from Chesterfield and has been an appraiser for 25 years. He is in favor of Senator Wagner's appraisal legislation.

There was no further comment and no consensus about moving the topic forward to the full Commission meeting

The meeting was adjourned at 300 p.m.

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



GENERAL ASSEMBLY BUILDING
201 NORTH 9th STREET, SECOND FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-786-3591 ext. 210
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Landlord Tenant Processing of Late Charges Sub-Workgroup

Thursday, June 1, 2017, 10:00 AM
House Redistricting Room, Second Floor, GAB

- I. Introductions
- II. Discussion
 - ◆ Lease Agreements; Late Charge (SB 993; W. Stanley, 2017)
- III. Recommendations for Workgroup
- IV. Adjournment

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, III Chair
SENATOR MAMIE LOCKE, Vice-chair
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POCAHONTAS BUILDING
900 EAST MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

Summary

**Landlord Tenant Processing of Late Charges Sub-Workgroup of the
Affordable Housing & Real Estate Law & Mortgages Workgroup
Thursday, June 1, 2017, 10:00 AM
House Redistricting Room, 2nd Floor, GAB**

Work Group members in attendance:

Chip Dicks; *Virginia Association of Realtors*, Christie Marra; *Virginia Poverty Law Center*, Philip Abraham; *Vectre Corporation*, Rob Bohannon; *Hunton and Williams*, Tyler Craddock, Brian Gordon, *Apartment and Office Building Association of Metro Washington*, J. Walter; *Vector Corporation*

Staff: Elizabeth Palen, *Executive Director of VHC*

Elizabeth Palen called the meeting to order at 10:00 AM and asked each person to introduce themselves and state their interest in the issue. She reminded the group assembled about the discussion concerning Lease Agreements; Late Charge (SB 993; W. Stanley, 2017) that took place at the Workgroup meeting held on May 5, 2017.

At that meeting concerns were laid out about the cascading of fees when tenants were late in paying rent and then had a lack of understanding about how late fees to be charged and applied to the next month's rent.

A discussion ensued with Chip Dicks and Christie Marra being the primary participants; their points of view were in opposition concerning this issue. Different solutions such as allowing only the first month's late fee to be charged, not allowing the late fee accrual to be used for eviction purposes, or a statement in the lease explaining how fees were to be applied were suggested.

Ultimately the consensus on the issue was that standard accounting principles need to be applied; even if a cascading effect was created.

The meeting was adjourned at 12:15 PM

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ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 E. MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Common Interest Communities

Wednesday, August 30, 2017, 10:00 AM
House Room 1, The Capitol

- I. Welcome and Call to Order
 - ◆ Delegate David Bulova
- II. Property Owners' Association Act; fees for disclosure packets by associations not professionally managed (HB 2376; Watts, 2017)
 - ◆ Delegate Vivian Watts
- III. Property Owners' Association Act; lot owner representation on association board (SB 1401; Dunnivant, 2017)
 - ◆ Senator Siobhan Dunnivant
 - ◆ Kim B. Kacani
Senior Vice-President, HHH Communities
- IV. Homeowner and Condominium Owner Associations Issues
 - ◆ Senator Scott Surovell
 - HOA/COA Insurance Minimums
 - Capital Reserves/Stormwater
 - Redacted records
- V. Report from Common Interest Communities Board and Ombudsperson
 - ◆ Heather Gillespie
Common Interest Communities Ombudsperson / DPOR
- VI. Public Comment
- VII. Adjournment

COMMONWEALTH OF VIRGINIA

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SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

Common Interest Communities Workgroup Meeting Summary

Wednesday, August 30, 2017
House Room 1, The Capitol

Delegate Bulova called the meeting to order at 10:05 AM.

Delegate David Bulova welcomed the workgroup members and audience. He then explained that the workgroup would make recommendations on the subject matter on the agenda; it may be practical advice or recommendations for improved legislation to be taken to the full Commission for approval and endorsement.

Issue: Declarant Control of POA Board

Senator Siobhan Dunnivant spoke about SB 1401 (SB1401; Dunnivant, 2017) drafted because a constituent brought forth an issue involving Grey Oaks, a 450 home community and planned development, built in 2003. The declarant still remains in control of the Board and will continue to do so, as stipulated in the contract, until 100% of lots are sold. There have been low sales in the development and the homeowners are upset because they have "no vote, no voice." The homeowners asked, and were denied, a phasing-in period for Board representation. They feel it is unjust as they are paying HOA fees and they do not have a promised playground, and there are still unpaved neighborhood roads.

Kim Kacani of HHHunt Properties also spoke to the issue saying that her organization seeks a balance for its Boards; the developer has an investment in communities they have built such as Wellesley and Windham in Henrico, and Charter Colony in Chesterfield. Hunt has its own management firm and in five communities residents have hired the management firm back to run the Board.

The developer has made substantial infrastructure improvements and the deed restrictions are contractual and residents give up rights for protections. Property owner associations (POA's) have very little regulation, whereas condominiums have extensive regulation--see Sections 55-509.1:1 and 509.2 of the Code of Virginia.

Delegate Chris Peace suggested that the quality of development begins with local government and the developer needs incentives to keep development up to good standards. Penalties are the only way to have financial leverage over the governing document.

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Goal/ solution:

Shore up process with localities, determine if bonds are in place or conditions have been proffered. Additionally, there should be transparency for homeowners achieved through developing a best practices (gold standard of what communities should have) manual and transparency in books and records so that the expectations of future home owner can be managed.

A sheet with the disclosure packets outlining Board controls etc. was also suggested at the meeting.

Issue: Fees for Disclosure Packets by Associations Not Professionally Managed

Senator Vivian Watts spoke to HB 2376 (HB2376; Watts, 2017) and said this is her third year pleading case that fees should be same for self-managed organizations as those with a paid manager. Originally, people thought self-managed meant that organization was formed when there were 10-20 homes on a leftover street, but close to 25% of self-managed associations are comprised of 500 or more homes.

The cost to an association to be professionally managed is \$30,000-40,000 so it is not always cost beneficial for the homeowner. A special assessment would be needed to provide the fee as the original documents from associations of a certain age say costs cannot be more than cost of living.

It was mentioned that the original idea was for a 10-cent per-page fee for copies and volunteers should not be paid. A discussion ensued about the interplay between condominium /POA act and recodification of Title 55 (But, please note: no substantive changes may be made in the recodification.)

Goal/solution:

The workgroup as a whole expressed that preparers ought to be reimbursed for disclosure packets as long as it is of the same quality package as that of professionally managed organizations. Electronic filing among professionally and non-professionally managed organizations should be highly encouraged.

Senator Scott Surovell spoke to three homeowner and condominium owner association issues as noted below.

Issue: HOA/COA Insurance Minimums

- Last fall, a 550-unit condominium sustained a partial collapse resulting in the condemnation of 35-40 units. The cause was improper maintenance. The association maintained an \$87M policy for fire/flood, but only \$1M for general liability so all homeowner's sustained massive uninsured losses.
- HOAs/COA's should maintain sufficient liability insurance relative to the value of the property they are insuring.
- This will obviously result in some increased insurance expense, but it should not be significant relative to their risk being insured.

Goal/solution:

Suggested solution by **Scott Surovell**: General Liability insurance minimums should be equal to greater of \$1M or 50% of value of assets under management. The workgroup did not have agreement as questions were raised if Lloyds of London would need to be secondary insurer. Also, there is a need to look for liability and negligence and determine who was negligent.

Issue: Capital Reserves/Stormwater

- A recent survey of privately maintained stormwater facilities in one part of Fairfax County found that 75% of them were out-of-compliance and required maintenance.
- Senator Surovell noted he has never seen a reserve study that either evaluated stormwater facilities or projected capital needs relative to maintaining them.
- Several HOA's have failed due to dam maintenance costs - e.g. in Surovell's district.
 - Stafford County Board of Supervisor's just asked for state money to help with this
- Stormwater facility evaluation and projection needs to be part of the standard five-year plan
 - Senator Surovell also stated that he has never seen an HOA/COA annual budget that specifically sets for the capital reserve study needs/statute as currently required by the Code.
 - Plus, deferred capital reserve needs are a major potential liability that all purchasers should be advised about in the standard disclosure before purchasing a property.

Suggested Proposals from Senator Surovell:

- **Proposal #1** - Local government was asked to ascertain what may be needed in this situation. It was proposed to explicitly require stormwater facilities to be assessed and projected as part of the five-year capital reserve study and require the annual audit to be available to purchasers. There was tacit agreement among the workgroup members.
- **Proposal #2** - Include a conspicuous statement in each budget as to total amount of unfunded capital needs pursuant to reserve study and amount divided by the number of homeowners and amend Code of Virginia sections 55-509.5 and 55-79.97 to require the same thing in the disclosure packet.

Issue: Redacted Records

- Current code is silent as to whether an HOA/COA can withhold an entire record if it contains exempt information or whether it must redact.
- In all violation proceedings:
 - Homeowner has right to be notified of charges and all facts supporting charges
 - Names of all individuals witnessing facts and to be called as witnesses in the hearing
 - Right to cross-examine all persons providing facts in hearing
 - Association has the burden of proof
 - Burden of proof is preponderance of evidence
 - All hearings and board deliberations hearings shall be audio recorded
- All votes on violations shall be recorded votes and made available to the accused

Suggested Proposal from Senator Surovell:

- **Proposal:** Require HOA/COA's to redact exempt information from records instead of withholding entire records.
 - **Senator Scott Surovell** said if any document has objectionable material under 59-79.74:1(c) or 55-510(c), then the record must be produced in redacted format - basically paralleling the provisions added to FOIA in 2016.
- Those opposed said that salary information is protected in condominium associations and in POA's certain salaries, at certain levels do not have to be disclosed. The CIC is not required to withhold information but many withhold information and they may do so as they are private entities

Heather Gillespie, Ombudsman of DPOR spoke about the type and volume of calls she received over the years--a chart is available in materials. No issue or solution as this was presented; the material was for informational purposes only.

The Chair asked for public comment, hearing none, the meeting was adjourned at 1:00PM.

COMMONWEALTH OF VIRGINIA

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SENATOR MAMIE LOCKE, Vice-chair
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POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-786-3591 ext. 210 – Prior to June 26th
(PHONE) 804-698-1875 – After June 26th

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Neighborhood Transitions and Residential Land Use Workgroup

Wednesday, July 12, 2017, 10:00 AM
Senate Room1, The Capitol

- I. Welcome and Call to Order
 - ◆ Senator Mamie Locke

 - II. Police service; civil penalty when excessive number of calls from same property. (HB 1934 B. Carr, 2017; SB 1183 R. Dance, 2017)
 - ◆ Delegate Betsy Carr
 - ◆ Chief Alfred Durham
Richmond Police Department
 - ◆ Helen Hardiman
Housing Opportunities Made Equal
 - ◆ Susheela Varkey
Virginia Poverty Law Center
 - ◆ Joe Lerch
VACO & VML (representing counties and cities)

 - III. Smoke detectors and carbon monoxide alarms; code conflicts
 - ◆ Chip Dicks
Virginia Association of Realtors
 - ◆ Dusty Williams
Smoke Detector Man
 - ◆ Cindy Davis
Director, State Building Code Office
 - ◆ Joe Lerch
VACO & VML (representing counties and cities)
 - ◆ Ron Clement
Chesterfield Building Inspection Department
 - ◆ Ed Rhodes
Virginia Association of Arson Investigators

 - IV. Public Comment

 - V. Adjournment
-

COMMONWEALTH OF VIRGINIA

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SENATOR MAMIE LOCKE, Vice-chair
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POCAHONTAS BUILDING
900 EAST MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

SUMMARY

Neighborhood Transitions and Residential Land Use Workgroup Wednesday, July 12, 2017, 10:00 AM Senate Room1, The Capitol

I. Senator Mamie Locke, Chair welcomed the members and speakers and meeting was called to order.

Work Group members in attendance: Senator Mamie E. Locke, *Chair*; Senator George Barker; Delegate David Bulova; Delegate Betsy Carr; Mark K. Flynn, *Governor Appointee*; Laura D. Lafayette, *Governor Appointee*; Lawrence Pearson, *Governor Appointee*; Neil J. Barber, *Community Futures*; Brian Buniva, *Environmental Health & Safety*; *Sequa Corporation*; Andrew Clark, *Home Builders Association of Virginia*; Ron Clements, *Virginia Building and Code Officials Association*; Tyler Craddock, *Virginia Association of Housing & Community Development Officials*; Cindy Davis, *Building Codes/Dept. of Housing & Community Development*; Chip Dicks, *Virginia Association of Realtors*; Chris Freund, *Family Foundation of Virginia*; Brian Gordon, *Apartment & Office Building Association of Metropolitan Washington*; Michelle Gowdy, *Virginia Municipal League*; Kelly Harris-Braxton, *Virginia First Cities*; Joe Lerch, *Virginia Association of Counties*; Art Lipscomb, *Independent Firefighters*; Barry Merchant, *Virginia Housing Development Authority*; Katherine Payne, *Williams Mullen*; A. Vaughan Poller, *Hampton Roads Housing Commission*; Earl Reynolds, *City of Danville, Community Development Director*; Ed Rhodes, *IAAI/VFPA*; Neal Rogers, *Virginia Housing Development Authority*; Lauren Schmitt, *Virginia Housing Alliance*; William Walton, *Real Property, Inc.*; Jerry M. Wright, *Central Virginia Chapter - Community Association Institute*.

II. Police service; civil penalty when excessive number of calls from same property. (HB 1934 B. Carr, 2017; SB 1183 R. Dance, 2017)

Issue:

Presented by Delegate Betsy Carr: - There are hotels and motels in the Richmond area that harbor individuals who are prostitutes, drug dealers and they cause a blight on the neighborhood. The bill from the 2017 legislative session was an attempt to curb this problem. It did not pass and was sent to the Housing Commission to find a more creative solution to solve this issue.

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LAURA D. LAFAYETTE
LAWRENCE PEARSON

Chief Alfred Durham, Richmond Police Department: He spoke about the cycle of drug abuse and prostitution --One hundred percent of prostitutes in the motels along the Jefferson Davis Corridor are drug addicted. There are not families, or business people staying in these motels. The area residents are upset by the spillover of crime and the police spend an inordinate amount of their time answering phone calls for disruptions at these motels and it means police are not as readily available to answer other calls where they are needed elsewhere.

Senator Roselyn Dance spoke about how she walked along the corridor and witnessed first-hand drug deals and criminal activity and she wants a solution to this problem.

A woman who was a former prostitute in a motel in Richmond, who is now sober, spoke to the group about how drug addiction kept her working in the motel and she would like to see the drug dealing and prostitution eradicated to help other women who are in the cycle that she was in when she was addicted.

Helen Hardiman, Housing Opportunities Made Equal spoke about the possible fair housing implications and said that the HUD Guidance, September 2016, discourages use of nuisance ordinances, warning they could violate FH laws in a number of ways including having a *disparate impact on a protected class*. She said " Defendants must show the challenged practice is necessary to achieve one or more substantial, legitimate, nondiscriminatory interests."

Hardiman presented several case studies showing that women and women who are domestic violence victims are discriminated against if they are penalized for calling the police. *Briggs v. Norristown, PA, Markham v. City of Surprise AZ, Grape v. East Rochester, Metropolitan St. Louis Equal Housing and Opportunity Council V. City of Maplewood, Missouri*

Susheela Varkey, Virginia Poverty Law Center concurred with Ms. Hardiman.

Joe Lerch, representing both VACO & VML (counties and cities) would like to find a solution for the issue and would like to work toward another solution besides the penalizing for excessive phone calls.

Solution:

Chip Dicks will craft legislation and send to all interested parties for their input before the workgroup meets again.

Issue:

Smoke detectors and carbon monoxide alarms; code conflicts

Chip Dicks, Virginia Association of Realtors spoke about how different localities have different requirements concerning carbon monoxide detectors and smoke detectors. (now detectors are called alarms)

Dusty Williams, with the company *Smoke Detector Man* spoke about his business, putting in smoke and co alarms, and how in the Tidewater area two localities next to each other have varying requirements for alarms. This causes great confusion.

Cindy Davis, Director, State Building Code Office said that the Building Code currently doesn't mandate all localities to have alarms unless the properties are being substantially renovated or built now.

Joe Lerch; VACO & VML (representing counties and cities), Ron Clement; Chesterfield Building Inspection Department, Ed Rhodes; Virginia Association of Arson Investigators, each agreed that a statewide system would be most effective for preventing fire and carbon monoxide poisonings.

Solution:

Chip Dicks will craft legislation and send to all interested parties for their input before the workgroup meets again. Please contact Elizabeth Palen to be added to the discussion group.

There was no public comment and the meeting adjourned at 12:20 PM

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Neighborhood Transitions and Residential Land Use Workgroup

Wednesday, October 18, 2017, 1:00 PM

Senate Room 2, The Capitol

- I. Welcome and Call to Order
 - ◆ Senator Mamie Locke
- II. Police service; civil penalty when excessive number of calls from same property. (HB 1934 B. Carr, 2017; SB 1183 R. Dance, 2017)
 - ◆ Overview
Elizabeth Palen
 - ◆ Draft Bill
Chip Dicks
Virginia Association of Realtors
 - ◆ Discussion
- III. Smoke detectors and carbon monoxide alarms; code conflicts
 - ◆ Draft Bill
Chip Dicks
Virginia Association of Realtors
 - ◆ Discussion
- IV. Public Comment
- V. Adjournment

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, III Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET, 10th FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875 Director

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

SUMMARY

Neighborhood Transitions and Residential Land Use Workgroup Wednesday, October 18, 2017, 1:00 PM Senate Room 2, The Capitol

I. Senator Mamie Locke, Chair called the meeting to order at 1:00 PM

Work Group members in attendance: Senator Mamie E. Locke, *Chair*; Senator George Barker; Delegate David Bulova; Delegate Betsy Carr; Mark K. Flynn, *Governor Appointee*; Laura D. Lafayette, *Governor Appointee*; Lawrence Pearson, *Governor Appointee*; Neil J. Barber, *Community Futures*; Brian Buniva, *Environmental Health & Safety*; *Sequa Corporation*; Bernard Caton, *City of Alexandria, Legislative Director*; Andrew Clark, *Home Builders Association of Virginia*; Ron Clements, *Virginia Building and Code Officials Association*; Tyler Craddock, *Virginia Association of Housing & Community Development Officials*; Cindy Davis, *Building Codes/Dept. of Housing & Community Development*; Chip Dicks, *Virginia Association of Realtors*; Chris Freund, *Family Foundation of Virginia*; Brian Gordon, *Apartment & Office Building Association of Metropolitan Washington*; Michelle Gowdy, *Virginia Municipal League*; Kelly Harris-Braxton, *Virginia First Cities*; Joe Lerch, *Virginia Association of Counties*; Art Lipscomb, *Independent Firefighters*; Barry Merchant, *Virginia Housing Development Authority*; Katherine Payne, *Williams Mullen*; A. Vaughan Poller, *Hampton Roads Housing Commission*; Elizabeth Rafferty, *Department of Housing and Community Development*; Earl Reynolds, *City of Danville, Community Development Director*; Ed Rhodes, *IAAI/VFPA*; Neal Rogers, *Virginia Housing Development Authority*; Lauren Schmitt, *Virginia Housing Alliance*; William Walton, *Real Property, Inc.*; Jerry M. Wright, *Central Virginia Chapter - Community Association Institute*.

Elizabeth Palen gave an overview of HB1934 and SB 1183 she said this issue is not just a problem in Richmond; the Commission has heard from other localities throughout the state that similar problems exist in their localities.

The bill attempts to balance interests because the goal is not to have to have the person who is making the call to police feel they cannot or they will be evicted.

Also the Commission wants to assure that particular motels aren't closed with the problems moving down the street

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

The bill was initially drafted for the 2017 legislative session and dually introduced by Delegate Betsy Carr/House, Senator Roslyn Dance/Senate. At the last meeting Senator Dance spoke first-hand about her experience visiting the motels. The bill was at the request of City of Richmond/Chief of Police; Alfred Durham.

At our mid-July meeting we heard from the police and how they spend an inordinate amount of time responding to calls coming from a small number of motels along the Jefferson Davis Corridor.

Additionally, we heard from a former resident of one of the motels as well; she was a former drug addict and prostitute and she implored the Commission to work toward eliminating the drug use and illegal activities at these motels

The residents that live at these locations are drug-addicted and prostitute themselves for money.

Chip Dicks, Virginia Association of Realtors crafted an alternate solution to the issue by creating a category called Criminal blight. He presented a draft and thoroughly went through the language with the workgroup. The basic construct came from a drug blight bill 1990's and has been expanded into limited criminal activities as previously sex trafficking and prostitution were not covered under the drug statute.

He tightened up language and added a provision that an affidavit, a document sworn to under oath/notary, court clerk/ magistrate was needed so as a rogue local government could not conduct a search without integrity.

This is a change in policy as well as procedure. A full discussion took place and all interested parties were added to a mailing list to further review the bill and make recommendations so it can be presented to the full Commission for endorsement.

II. Smoke detectors and carbon monoxide alarms; code conflicts

Chip Dicks, Virginia Association of Realtors, presented a draft bill for statewide uniformity and landlord certification of the presence of working alarms

Dicks said he had incorporated suggestions from building officials and the industry.

III. Public Comment

Industry representatives for the smoke alarm and carbon monoxide alarm industry offered their opinions concerning certification and statewide requirements. Chip Dicks said he would incorporate their concerns in the next draft to be sent to all concerned parties. The draft will be sent prior to the next workgroup meeting.

The meeting was adjourned at 3:15 PM

COMMONWEALTH OF VIRGINIA

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POCAHONTAS BUILDING
900 EAST MAIN STREET
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875

epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

AGENDA

Neighborhood Transitions and Residential Land Use Workgroup

Wednesday, December 6, 2017, 9:15 AM

House Room 1, The Capitol

- I. Welcome and Call to Order
 - ◆ Senator Mamie Locke

- II. Carbon Monoxide and Smoke Alarms; Code Conflicts
 - ◆ Bill Draft
Chip Dicks
Virginia Association of Realtors

- III. Criminal Blight
 - ◆ Bill Draft
Chip Dicks
Virginia Association of Realtors

- IV. Discussion and Vote

- V. Other Business

- VI. Adjourn

COMMONWEALTH OF VIRGINIA

DELEGATE DANNY MARSHALL, Chair
SENATOR MAMIE LOCKE, Vice-chair
ELIZABETH A. PALEN, Executive Director



POCAHONTAS BUILDING
900 EAST MAIN STREET, EIGHTH FLOOR
RICHMOND, VIRGINIA 23219
(PHONE) 804-698-1875
epalen@dls.virginia.gov
<http://dls.virginia.gov/commissions/vhc.htm>

VIRGINIA HOUSING COMMISSION

Meeting Summaries

Wednesday, December 6, 2017, 9:15 A.M.
House Room 1, The Capitol

Neighborhood Transitions and Residential Land Use

At 9:15, the **Neighborhood Transitions and Residential Land Use Workgroup** met. Senator Mamie Locke called the meeting the order at 9:15 A.M.

Workgroup members present were:

Senator Mamie Locke, Senator George Barker, Delegate Betsy Carr, Mark Flynn, Lawrence Pearson, Ron Clements, Tyler Craddock, Cindy Davis, Chip Dicks, Brian Gordon, Michelle Gowdy, Kelly Harris-Braxton, Joe Lerch, Barry Merchant, Katherine Payne, A. Vaughn Poller, Elizabeth Rafferty, Earl Reynolds, Ed Rhodes, Neal Rogers, Lauren Schmitt, William Walton and Jerry M. Wright

Elizabeth Palen explained the meeting format – the meeting would be brief and would consist of reviewing two pieces of proposed legislation: (i) criminal blight and (ii) carbon monoxide and smoke alarms. These pieces of proposed legislation had previously been sent to all interest parties and several changes have been incorporated to alleviate concerns of all parties.

Chip Dicks led the discussion of the proposed legislation--the content is listed in the full Commission meeting.

The meeting was adjourned at 9:45.

Full Commission

The meeting was called to order at 10:00 A.M. by the Chair, **Delegate Danny Marshall**.

Introductions of the members were made and a quorum was present. Members present were: Delegate Marshall, Senator Locke, Senator Barker, Senator Stanley, Delegate Carr, Delegate Knight, Delegate Peace, Mr. Flynn, Ms. Lafayette, Mr. Pearson and the director, Ms. Palen. Delegate David Bulova was approved to participate by phone; he was unable to attend in person due to a business conflict.

DELEGATE DANNY W. MARSHALL
DELEGATE DAVID L. BULOVA
DELEGATE BETSY CARR
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR GEORGE L. BARKER
SENATOR WILLIAM M. STANLEY, JR.

MARK K. FLYNN
LAURA D. LAFAYETTE
LAWRENCE PEARSON

The Commission approved wording of a policy for member approval by electronic means (see attachment) It will apply to workgroups and full Commission meetings.

The agenda was composed of speakers who addressed issues that are pertinent to the Commission as well as an overview of topics covered during the interim. Drafts also were voted on for endorsement to be introduced during the 2018 legislative session.

Housing and Persons with Mental Illness from a Sheriff's Perspective

Sheriff Ken Stolle spoke to the Commission about how as Sherriff of Virginia Beach he houses persons with mental illness and how lack of housing in the community impacts the mentally ill in his district.

He said he was a police officer for 11 years before deciding to study law, and later became a senator. In 2009 he left the Senate and became Sheriff of Virginia Beach in 2010.

The Virginia Beach Correctional Center (VBCC) is essentially the largest shelter; it houses 1,438 inmates, 438 of whom are mentally ill, which is one quarter of the inmates, adding a huge budgetary strain.

Stolle raises five to six million dollars through grass cutting services to add to the \$48 million budget (decreased from 2009 budget). VBCC does not receive any monetary assistance for helping the mentally ill persons who are incarcerated.

When he began as sheriff, mentally ill were sent to medical isolation; that is a block of 18 cells with 4x8 cells and no windows. They were quite unsatisfactory for many reasons. The jail has moved to a more progressive pod system where some inmates are eventually moved to general population. There are suicide and detox blocks as well.

Sherriff Stolle has asked the Community Services Board to take over mental health treatment in the jail. They refused because if the Board begins to provide services, it has to continue providing services to the individuals. Once those formerly incarcerated finish serving their time, the Community Services Board can't provide service when they are released from jail. There is no seamless transition to life outside of jail.

Currently the Virginia Beach jail has a 92 percent recidivism rate among those who are mentally ill. All deputies are specially trained so now there are virtually no assaults on deputies. There is also a 92.5% medication compliance rate which is phenomenally good. Assaults on deputies are essentially caused due to the inmate wanting to stay in jail and they know that this action will assure the continuance of the incarceration.

Every solution to this issue, Stolle believes, begins with housing options and a means to transition from jail to appropriate shelter. Many jailed mentally ill individuals do not feel safe when they are released. They have exhausted the availability of family help and have committed only minor felonies, or misdemeanors. The judges have very few options other than incarcerating the

individuals. Stolle is grateful to have the resources to help those who come to VBCC because there is not any viable alternative placement.

There is a need for places that are safe, a home where these individuals will stay on their prescribed medication. When mentally ill persons are released they receive three days of medication; an appointment with the community service board takes weeks to months and the ill person cannot get a prescription and is likely to go off medication.

If there is no housing, Stolle says, all other measures are a waste of time; there is a huge systems failure if detained persons who are mentally ill are begging not to get out of jail.

There are 5,000-7,000 mentally ill persons in jails across Virginia; and of those who need treatment approximately half are dangerously mentally ill. If action is not taken people will hurt others or themselves. This is an extremely important issue - the biggest issue in the community as far as Stolle is concerned.

Housing is critically important and anything the Virginia Housing Commission can do to help obtain resources for housing or a half-way house in jail, Stolle asked the Commission to seriously consider his ask.

Housing and the Economy

Bill Shelton, Director, Department of Housing and Community Development, spoke about state housing policy. As a result of Executive Order 32 the housing policy group began meeting three years ago in an effort to explore linkages in housing and economics and housing broader context. This was an independent look at the housing industry and how it ripples through the Commonwealth. The report of independent research was released at the Governor's Housing Conference in November. VCU, William and Mary, George Mason University and Virginia Tech are the research universities that have all worked together to develop quality research and to lead the discussion in how housing fits in the economy in a broader sense. This independent research group formed a consortium who released the report presented today.

The report puts in context how housing, in a broader context fits in to the key findings on housing policy. All the information will assist in working with a new administration.

Mel Jones and Andrew McCoy Virginia Tech Housing Policy Center

Mel Jones and Andrew McCoy from Virginia Tech presented an overview of study findings on how housing is connected to economic development. (The study is available on the Virginia Housing Commission website.)

First, Mel Jones began by speaking about the market implications of not having appropriate housing. The consortium presented its Phase I finding to the Commission earlier. To recap, the housing industry is the sixth largest in Virginia, provides over 300,000 jobs and adds \$14.8 billion in economic activity.

Today's presentation focused on Phase II of the study; housing supply and demand, the implications of quality, quantity as well as location of housing production and demand, what are the needs to provide for future workforce and how housing can impact growth.

These are the key findings:

- There is a shortage in every region of affordable housing that makes persons housing cost burdened. There is a need for substantial new housing and the homebuilding industry faces challenges.
- Millennials need affordable housing and it is not available.
- There is a positive linkage between housing and lower transportation costs; good transportation means that you don't have people look for places to live that offer more advantageous housing costs.
- In the urban crescent. i.e., Northern Virginia, Richmond, and Tidewater, high housing costs make it difficult for those of low and moderate income (stretching up to 120 percent of area median income). It contributes to making areas less attractive; especially in Northern Virginia - dense development makes some places more affordable.

The micropolitan area, defined as the reverse crescent and Charlottesville, Lynchburg, and along the 81 Corridor, boasts lower housing costs and some people are leaving the metropolitan areas and moving to these locales because the cost of living makes these areas more desirable. An issue, however is high transportation costs as people commute from Harrisburg to Charlottesville and like areas. The transportation costs are primarily related to distance; lower income individuals take different routes to avoid tolls.

Micropolitan regions have a population decline; they have few amenities and tend to lose residents. In the coal fields some are commuting from Kentucky because Virginia has the jobs but not affordable good housing.

The Martinsville/Danville area has great housing blight that is an on-going challenge. A good success story is the Riverwalk in Danville; the city is using it as a catalyst to re-invigorate and revitalize their downtown.

Good news for rural jurisdictions - people, most particularly millennials, just want an urban feel not necessarily to live in an urban area. Demand for housing in towns, rural towns are capitalizing on this fact. People want to walk to a bar, library; they no longer live in the county and want to come to town for supplies. There are lots of opportunity for revitalization in rural areas of the Commonwealth.

In some rural areas like Bath County, the second home market is causing housing prices to rise. The consequence is only those people who have inherited their homes can afford to work low-income jobs; micro-density is needed. It is hard for businesses to attract low-wage employees because they cannot secure housing.

A large issue statewide is the maintaining of older housing stock, what to do when housing has become irrelevant and is vacant - what do you do with it? Older mobile homes and their vacancy equals a public health issue.

Broad findings:

- There is a need for 225,000 net new housing units between now and 2024. People will not come to Virginia if housing is not affordable and appropriate. Likewise, we need to prevent those who live here from leaving the state for the same reasons.
- In the Commonwealth one in three are housing cost burdened; one in ten are severely (over 50% or more) housing cost burdened.
- If construction companies or companies that provide housing partner with employers, the state can retain people more effectively and move toward business expansion.

Housing production

Productivity drives growth and the new housing being built is less affordable. Entry level housing needs to be produced at an affordable rate and because of the cost of existing housing, the state has not seen growth since the last recession.

The issue is not just demand, but also for Virginia to improve on the supply side. There is a need for the education of the industry, a need to adopt technological plans to build housing. Also there is a need to build parts of housing from the ground-up so, as a state, Virginia can help drive the manufacturing industry.

Housing and community renovations

Through discussions, it was found in Virginia that there is a nexus between increased demand in downtown living and historic buildings.

Virginians appreciate the lineage when revitalizing historic buildings. This is accomplished combining the use of low income housing credits and historic tax credits. When infill housing is used to ameliorate transportation costs, people pinpointed there was a rise in new talent and entrepreneurs in that area, citing Petersburg as an example. And in Blacksburg an abandoned historic bank building was renovated into housing. There needs to be a density bonus for preservation of historic buildings and this will help loosen tight markets.

Delegate Chris Peace commented that Blacksburg does indeed look totally different. He mentioned that the Main Street Program is statewide and has helped Ashland and Kilmarnock.

Academic studies have shown that something as simple as hanging baskets of flowers from posts generates support for renovating the downtowns.

There is a need for innovative zoning; including parking solutions that can be built out so the parking area can house other uses when automated vehicles come into the state. The thought is that in five years' time won't need as much parking and will have other types of transportation. New technologies drive the trend to moving into rural towns.

Housing and economic opportunity

There needs to be an emphasis on children as they are our future workforce and need safe, stable, affordable and appropriate housing to avoid negative consequences. Parental stress and moves due to poor housing lead children to change from school-to-school or even to new school districts. These transitions hurt all children at schools. Appropriate housing supports child development.

Peace asked, is it a right or a privilege to have housing?

A discussion ensued. Comments were that globally, housing is not accessible so that would lean toward it being a privilege but, how not providing that privilege hurts all economically and emotionally. Congregate, dense housing of housing projects has had a negative effect.

The goal is to have mixed-income housing as all people living in community together influence one another. Poor consequences occur when there is isolated poverty, it influences all other aspects of people's lives.

Laura Lafayette recommended reading Mathew Desmond's, *Evicted*; its premise is that housing is a right. (Summary is available on the VHC website.)

Other points included in the conversation:

- Children's lack of access to education hurts the economy
- High quality housing leads to good overall health
- To support future housing needs based upon the high growth trajectory, building needs to be ramped up

A suggestion was made that the state and local governments need to partner with companies and nonprofits to facilitate production of housing. Decisive planning and policy in Virginia needs to be made as there is a federal devolution of funding. Virginia wants a migration of talent into the state - - don't want to fall into a lower growth scenario; look to appendices of report for more on this issue.

The way forward is to provide housing near job centers for more efficiency and to off-set transportation costs, thereby decreasing cost-of-living.

It is better for the state to establish local consolidated production firms. Virginia does not have local tradespeople and needs to encourage the growth of construction trade among young people.

The wave of the future is in *housing technology* such as, modular housing manufacturing which could bring jobs and economic development to Virginia, instead of, or in addition to North Carolina.

Delegate Danny Marshall said that it was his understanding that there has not been a reset of single-home starts since the of recession of 2006-2008. Additionally, he pointed out the Federal Reserve reports indicated that vast student loan debt makes younger people unable to qualify for mortgages. Also, federal banking regulations mean local banks cannot grant developers money to build spec houses.

Interim Studies

Elizabeth Palen gave an overview of topics covered during the interim. This year three workgroups heard a variety of issues: Neighborhood Transitions/Housing and the Environment, chaired by Senator Mamie Locke; Affordable Housing and Real Estate Law, chaired by Delegate Chris Peace and Common Interest Communities chaired by Delegate David Bulova. Each had in-depth discussions and experts testify on the issues.

Topics referred to the Commission included: (HB1628, HB 1639, Leftwich, 2017) which were heard by the Affordable Housing and Real Estate Law Workgroup. Delegate Leftwich came to speak about the Virginia Residential Landlord and Tenant Act; insurance; and the early termination of rental agreements and Virginia Residential Landlord and Tenant Act; disclosure of relationship between landlord and insurance companies. The workgroup looked at case law and had insurance representatives speak to the group. After the meeting Chip Dicks met with the Bureau of Insurance and it was determined that a waiver is standard in each homeowner policy.

This issue was resolved through the State Corporation Commission and the patron was satisfied with the result; therefore, there is no recommendation for these bills to go forward this legislative session.

Senator Stanley's (SB 993, 2017) bill concerning late fees, and the cascading of those fees was discussed in depth in two forums, the Affordable Housing and Real Estate Law Workgroup and a specially created sub-workgroup. It was determined that in order to eliminate the accrual of these fees, it would necessitate a change in accounting principles and it was therefore, not recommended by the workgroup to go forward.

Senator Frank Wagner's (SB 1575, 2017), concerning Real Estate appraisals and the fees appraisers are paid was discussed as well. The Workgroup heard from many appraisers about the fee schedule and fees that are allowed; DPOR was asked to more fully address the issue.

Affordable Housing and Real Estate Law Workgroup heard (SB 1515, Wagner), concerning manual entry door hardware. The Workgroup heard a presentation from Dr. Gail Mattola as well as from the Building Codes experts at DHCD; going forward this issue may be incorporated into the statewide building code and Dr. Mattola was invited to participate in the next cycle of Building Code meetings.

In the Common Interest Communities Workgroup Delegate Watts (HB 2376, 2017) spoke about non-professionally managed associations and the Property Owners' Association Act and the need for non-professionally managed associations to charge a comparable fee to that of professionally managed associations. There was not a consensus within the workgroup for this to move forward.

Senator Scott Surovell brought several issues concerning common interest communities of the group and they will be continued to be studied next interim.

Senator Siobhan Dunnavant (SB1401, Dunnavant 2017) spoke to the group about lot owner representation --the issue is owners who do not step off boards because provisions in the contracts

have yet to be completed. A solution was to have localities become more involved at the initial stage of zoning and site approvals, and then to follow through more clearly.

By letter request VHC received a request to study procedural barriers to project-based bonds from local housing authorities; this was a Department of Housing Community Development issue. The parties met and resolved the issue.

In the Neighborhood Transitions Workgroup Delegate Carr's (HB1934, Carr, 2017) concerning excessive calls was constructed in another manner and approved by the workgroup to go forward. It will be explained in depth by Chip Dicks. A proposed bill on carbon monoxide and smoke alarms was also approved by the workgroup and will also be explained in concept and form by Chip Dicks.

Chip Dicks said this bill is a consensus bill and conflicts have been worked out in workgroup meetings.

He said he took the Carr/Dance bills from 2017 session (HB 1934, Carr, 2017 and SB 1182, Dance, 2017) and recrafted them to find a better solution to the issue.

He amended the drug blight statute (one that he crafted 25 years ago) and added sex trafficking and prostitution into the statute. It is a local government enabling statute, so localities could pass an ordinance saying this particular property is blighted and the property owner would be required to take corrective action on physical issues i.e. like fencing. If the locality wants corrective action to be taken, the locality would have to swear under oath that the property owner was causing the property to be blighted and unsafe for the community.

When the locality takes action and puts a lien on the property the owner has to take corrective action within 30 days.

The Commission was asked to look to page 4 lines 84-96 -he explained, if a tenant or guest in a hotel is a problem and the landlord takes action against that tenant or guest; that constitutes sufficient action--if the locality goes overboard and if there is undue financial burden on the owner, the owner won't have to take action.

He further explained, when a motel/hotel is harboring this blight, a law enforcement official can get an inspection warren to get the guest registry.

This applies to any real property, but the focus is on motels that are used as hubs criminal activity. This is a civil offense, and circumstantial evidence makes it difficult to make a conviction but the real concern is about cleaning up the property overall.

Although this is different from criminal constraint, **Senator Bill Stanley** suggested there may be potential overreach and suggested adding language saying any evidence found can't be used in a criminal case and will not therefore, create a rational way of going around 4th amendment. You shouldn't be able to use a criminal blight inspection warrant if couldn't otherwise obtain a warrant. But, he is in agreement to amend in concept with the draft but would like some work on the search/seizure issue.

Delegate Betsy Carr mentioned that she heard from other legislators, some in rural localities and this is not just an urban issue.

There was a motion to endorse the proposed legislation and a second; Delegate Carr will carry this for the Commission.

Former Delegate Chip Dicks then presented the **Smoke and Carbon Monoxide Alarm** proposed legislation. The following summarizes what he reported comprises the draft legislation and the justifications for change.

Smoke alarms are regulated several different ways currently localities have the right to do so; some will have to be modified to come into conformance.

Chip Dicks mentioned that at the **Neighborhood Transitions Workgroup** held at 9:15 today, an amendment was added on line 22 of the draft saying nothing shall be construed to imply that a smoke alarm installed in accordance with a past edition to the Building Code (so most remodeled time frame.)

The previous statute pre-dated 1988 Fair Housing Law that is now incorporated in the normal process of installing smoke and carbon monoxide alarms. Line 94, struck other provisions and lines 107 through line 124 added the Landlord Tenant Act. -On page 6 the draft explains how the landlord would perform an inspection once a year and give a certificate; and this will be best practice throughout Virginia.

On lines 192-197 there is reconciliation of the Landlord/Tenant Act and Residential Landlord Tenant Act by bringing over the provisions into the draft.

On lines 250-253 referring to inspections and certificate of good working order, -the enactment clause is added because localities need time to pass ordinances to come in to compliance with the legislation. DHCD has agreed to a one meeting stakeholder group that will decide what the form look like, and the tenant obligations concerning smoke and carbon monoxide alarms.

After a motion and a second to recommend the proposed legislation: Delegate Carr will carry for the House and Senator George Barker for the Senate.

Delegate Marshall asked that other Housing Commission members sign on to each piece of endorsed legislation.

Laura Lafayette, CEO Richmond Association of Realtors; on behalf of Virginia Realtors

Lafayette reported that for her industry the number one concern is lack of inventory. There is an increased demand as millennials are now entering the market and as there has been delayed household formation but now there is increased eagerness to purchase homes. The economy in Virginia is outpacing nation and that confidence produces housing purchases.

Institutional investors put cash into the real estate market; they are less worried about pricing; in the Richmond region that purchase the small houses and add additions to create more expensive housing. for resale.

Seniors are aging place because of lack of choices in appropriate housing. There is a mismatch in the products being built and affordable price. Many Richmond area seniors own their homes without a mortgage but over 70 percent of senior homeowners in the region have homes worth less than 200k --340k is the average house price to move to an age appropriate home. Pricing trends are driving lack of inventory, after the market bottomed out in 2011 there has been a steady increase in price since then, since 2014 the median price has risen eight percent. The mortgage rates are at historic low rates --when she purchased her home in 1990 she had an 18 percent mortgage rate-- these very low rate are also driving demand for housing.

The rate of growth began tapering off in 2016 and slowed in 2017 and is currently slowing more. This is reducing housing market because lack of inventory and high demand means the seller is in control. A buyer needs a full price offer if they want to be successful in purchasing a home. A seller will see growth in equity and local government revenues will increase in every single jurisdiction.

Delegate Chris Peace said it is hard to focus on affordability in Hanover when new home starts are down and local policy officials find ways to partner with private sector.

Lafayette responded that density is key because the price of dirt is price dirt, the challenge is to zone for locational efficiency, -there is a need more units on each parcel, need more -secondary road funds so a person can get to work in reasonable amount time.

Delegate Betsy Carr said that the Richmond delegation asked for the Virginia Housing Commission to study and assemble representatives from throughout the Commonwealth including representatives of the Virginia Housing Development Authority, the Virginia Department of Housing and Community Development, local redevelopment and housing authorities, and local governments with large concentrations of public housing, to identify financing methods that could be developed or employed to assist localities in replacing concentrated public housing units. The Chair, and Commission agreed this was appropriate for the Commission and will be added to the 2018 work plan.

Delegate Marshall asked if there was any public comment and a speaker spoke about government in general.

Marshall thanked all for their hard work on the Commission.

The meeting was adjourned at 12: 22 P.M.