REPORT OF THE VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Report on the Findings and Recommendations of the Residential Infrastructure Fund Work Group (Chapter 509, 2024)

TO THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 5

COMMONWEALTH OF VIRGINIA
RICHMOND
2025

Executive Summary

The Residential Infrastructure Fund Work Group (Work Group) was established by SB489 (2024) to assess the feasibility of and options for establishing a Virginia residential development infrastructure fund. The Work Group met three times during 2024 to discuss the elements of such a potential fund. The Work Group was facilitated by the Department of Housing and Community Developed and comprised of representatives from Virginia Housing, the Virginia Association of Counties, the Virginia Municipal League, the Virginia Association of Realtors, the Home Builders Association of Virginia, the Virginia Resources Authority, the Virginia Department of Health, and the Virginia Department of Energy.

The Work Group came to a general agreement on the framework of a potential residential development infrastructure fund and associated program to administer it. The Work Group stated that the primary purpose and objective of a potential fund should be to provide funding to localities for the expansion of public infrastructure to increase the housing supply. The Work Group agreed that the leading factors for determining projects to fund should be housing need and project readiness. The Work Group debated the merits of allocating funds as grants or loans, but ultimately preferred a revolving loan fund with below market rate loans. The Work Group agreed that funding prioritization should be given to localities that are providing incentives for residential development, as well as reducing local regulatory barriers.

Background

Senate Bill 489 (2024) as approved by the General Assembly and signed by the Governor, directed the Department of Housing and Community Development (DHCD) to convene a work group to assess the feasibility of and options for establishing a Virginia residential development infrastructure fund. The Residential Infrastructure Fund Work Group (Work Group) was tasked with considering:

i. *whether other states have established a residential development infrastructure fund, or similar fund, and evaluate the effectiveness and best practices used in implementing such policy in other states;*
ii. *preliminary and long-term fiscal impacts of establishing and administering a Virginia residential development infrastructure fund;*
iii. *options for applicant and project eligibility criteria, application review and selection processes, funding disbursement, and other potential policies, procedures, or guidelines; and*
iv. *prioritizing certain public infrastructure projects, including those that support residential developments in localities that have implemented measures to reduce local regulatory barriers to new development.*

The legislation directed the Work Group to consist of representatives from local government and individuals with expertise in single-family and multifamily land development and construction, real estate finance, infrastructure development, or other areas of expertise. Representatives from Virginia Housing, the Virginia Association of Counties, the Virginia Municipal League, the Virginia Association of Realtors, the Home Builders Association of Virginia, the Virginia Resources Authority, the Virginia Department of Health, and the Virginia Department of Energy comprised the Work Group. The Work Group met three times from August to October of 2024, and meeting summaries from each of those meetings are appended to this report.

Residential Infrastructure Programs in Other States

The following programs are examples of other states' programs that fund the infrastructure associated with residential development.

Massachusetts HousingWorks
The HousingWorks Infrastructure Program is a competitive grant to municipalities and other public entities for a variety of infrastructure related activities to support and unlock housing opportunities.[1] This grant program awards funds based on the project's nexus with housing, transportation, infrastructure, and community development needs. Examples of eligible projects include:

- Physical infrastructure improvements near public transit stations and residential areas;
- Engineering designs for water and sewer infrastructure improvements that will increase capacity for increased housing production;
- Improvements to physical public infrastructure near a permitted housing project that will support and yield new and/or additional affordable housing units;
- Improvements to sidewalks, roads, or other multi-modal infrastructure to increase safety, mobility, and accessibility in the area surrounding housing and adjacent neighborhood(s);
- Critical upgrades to outdated water, sewer, and other infrastructure to support housing.

The HousingWorks program began operating in 2023, and its average award amount is $2.5 million.

Indiana Finance Authority: Residential Housing Infrastructure Assistance Program
The Residential Housing Infrastructure Assistance Program provides financial assistance for infrastructure projects that support residential development in communities that demonstrate need for additional housing inventory based on local job growth. Funds can be used for public infrastructure projects such as water distribution systems, water treatment plants, wastewater treatment plants, sanitary sewer systems, storm sewer systems, lift stations, streets, roads, or

[1] Massachusetts Housing Works. https://www.mass.gov/how-to/housingworks-infrastructure-program

bridges, curbs, gutters, or sidewalks, traffic signals, streetlight, or electric or gas distribution lines. Funds are awarded in the form of a loan. Indiana has a relevant prioritization system for the distribution of funds that is structured as follows:

(1) The project is ready to move forward with construction within the fiscal year following application submission
(2) The political subdivision:
    a. Invested in a housing study within the last five (5) years; or
    b. Had a housing study performed by a region's local economic development organization; or
    c. Demonstrated the need for additional housing inventory as indicated by the Indiana Housing and Community Development Authority housing dashboard (Indiana Housing Dashboard)
(3) The political subdivision has voluntarily revised unified development ordinances, zoning regulations, or other land development rules to allow for:
    a. higher density development;
    b. construction of other housing types including accessory dwelling units and manufactured and modular housing;
    c. adaptive reuse of commercial buildings for residential use; or
    d. waiver or elimination of regulations (e.g., garage size, greater setbacks, off-street parking)
(4) The political subdivision does not have impact fee ordinances
(5) The political subdivision has secured private, local, state, or federal funds to contribute to the eligible projects
(6) The political subdivision has secured a letter of support from an employer and elected body stipulating that the public infrastructure will support residential housing that is in reasonable proximity to employment; or will assist:
    a. homeowners to age in place through restoration or renovation of existing homes; or
    b. communities in preparing for shovel ready housing.

The Residential Housing Infrastructure Assistance Program distributed its first $51 million in 2024. [2]

InvestUP Michigan: Build U.P.
The Michigan State Legislature granted $15 million to a nonprofit organization, InvestUp, for the Build U.P. initiative to advance housing construction in the Upper Peninsula (U.P.) and part of that funding was put towards a residential infrastructure fund. Build U.P. provides financial assistance to local units of government in the Upper Peninsula to facilitate infrastructure improvements leading to the construction of new residential developments in the community. Build U.P. provides the assistance through the purchase of municipal bonds issued by local units

[2] Indiana Finance Authority. https://www.in.gov/ifa/residential-housing-infrastructure-assistance-program/

of government worth between $250,000 and $1.5 million. Eligible infrastructure is given a broad definition but includes water and sanitary sewer, wastewater treatment and storm sewers, road improvements, and utility placement including gas, electric and fiber lines. Eligible infrastructure must lead to construction of redeveloped or new residential developments in participating communities.[3]

Southern California Association of Governments: Regional Utilities Supporting Housing Pilot Program (RUSH)
A competitive funding program with $35 million available, this program prioritizes funding to infrastructure planning projects and capital projects (upgrading infrastructure for sewer, water, stormwater, and dry utilizes systems). Awarded projects through this program support residential housing development. This is a pilot, which just made its first awards in January 2024. Utilities refer to electric, water, stormwater, or sewer, but excludes gas or other fossil fuels. Broadband may be included if tied to one of the other utilities identified but cannot be the main factor.[4]

Montana Board of Investments: Housing Infrastructure Revolving Loan Program
Funding supports demolition or expanding or extending water, wastewater, storm water, street, road, curb, gutter, and sidewalk infrastructure to serve new or rehabilitated residential development. Funding is limited to projects that support residential development at a minimum gross density of 10 units per acre and include provisions for preserving long-term affordability of the housing. Applications are limited to approved lenders. Projects are awarded in the form of a loan. [5]

New Mexico Finance Authority: Housing Development Revolving Fund
The Housing Development Revolving Fund was created by HB195 in 2024. The program consists of loans for the construction of workforce housing and infrastructure for affordable housing. For-profit and non-profit entities are eligible to apply. This is a new program, and little information is currently available.[6]

Wisconsin Housing and Economic Development Association: Infrastructure Access Loans
The Infrastructure Access Loans program was created by Wisconsin Assembly Bill 264 in 2023. The program provides funding to developers and local governments to cover the cost of installing, replacing, upgrading, or improving public infrastructure related to workforce housing or senior housing in the form of a loan. Awarded projects must meet the affordability requirements of 100% AMI for apartments or household income of not more than 140% AMI

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[3] Invest UP Michigan. https://www.investupmi.com/index.php/building-the-u-p/
[4] Southern California Association of Governments. https://scag.ca.gov/post/programs-accelerate-transformative-housing-path
[5] Montana Board of Investments. https://investmentmt.com/Housing-Programs/Housing-Infrastructure-Revolving-Loan-Program
[6] New Mexico Finance Authority. https://www.nmfinance.com/opportunity-enterprise-housing-development-revolving-fund/

for homeowners, and homes must remain affordable for 10 years. The program contains set-asides for different regions of the state and for small communities.[7]

Purpose of the Residential Infrastructure Fund

Throughout all three meetings, Work Group members emphasized that the purpose of an infrastructure fund should be to support the development of new housing units and that funded projects should expand the capacity of public infrastructure in order to accommodate increases in the housing supply. The Work Group discussed whether or not limitations should be placed on the cost, size, or type of housing associated with infrastructure projects and concluded that there should be no restrictions. However, the Work Group stressed that projects should meet the needs of the community, so applicants should tailor their requests towards providing housing units at the price points, sizes, types, and locations of needed housing as prescribed in the 2025-2029 Housing Needs Assessment developed by DHCD. Work Group members reached a consensus that the potential fund should not place limitations on eligible projects on the basis of the number or type of housing units they will support; when scoring applications, the administering agency should consider the housing needs of the locality and the extent to which a proposed project meets those enumerated needs. Work Group members also emphasized that expansions to infrastructure capacity could serve new housing units developed in greenfield areas, or they could serve new infill units or the rehabilitation or reuse of existing infill units. While the Work Group discussed the possibility of tying funding to economic development projects or prioritizing localities with large economic development projects, the Work Group ultimately agreed that the primary criteria for a potential fund should be the production of residential units.

Allocation of Funds

Members of the Work Group assessed whether a potential infrastructure fund would be best administered through grants or loans. The Work Group discussed positive and negative aspects of each funding mechanism. Grants would likely be most helpful for smaller or low-capacity localities that may not have the capacity to administer and repay loans, as well as for localities that are already borrowing near their debt service limits. Grants may also be better suited for addressing point-in-time issues. Using grants, however, would require the General Assembly to allocate annual funding to the infrastructure fund or create a dedicated funding stream. Alternatively, the Work Group determined that an infrastructure fund could provide revolving loans at below-market interest rates. Smaller and lower-capacity localities may be less likely to utilize loan instruments, but a revolving loan fund would result in a more financially sustainable program over a longer period of time. Loans may also be better suited for addressing ongoing infrastructure issues and the provision of below-market interest rates could greatly improve the

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[7] Wisconsin Housing and Economic Development Association. https://www.wheda.com/globalassets/documents/about-wheda/legislative-policies/infrastructure-access-overview-presentation.pdf

affordability of infrastructure projects. An example of a successful existing revolving loan fund that was discussed is the Virginia Resources Authority (VRA)'s Virginia Airports Revolving Fund (VARF), which was originally allocated $25 million in 2000 and has since issued loans worth more than $110 million.[8] VARF provides interest rates that are reduced 0.5% below the prevailing market AA interest rates.

Ultimately, the majority of the Work Group preferred to create a revolving loan fund because of the possibility of greater financial sustainability. The Work Group preferred not to set loan terms or underwriting terms as part of any statutory language but to allow the administering agency some flexibility to establish its own policies. Some Work Group members expressed interest in allowing any program income received by the fund above the principal amount to be issued as grants for smaller, low-capacity localities.

Eligible Applicants

Work Group members determined that localities, including counties, cities, and towns, should be eligible applicants for a potential fund and that neither non-profit nor for-profit developers should be eligible applicants. However, Work Group members expressed strong support for public-private partnerships when considering potential projects. Work Group members stated that eligible applicants should be able to attest to the housing needs of their community and provide a specific narrative about how the project in question would help to provide the needed housing units. The Work Group also supported applicants being required to provide audited financial statements as a part of their application.

Eligible Expenses

For purposes of a potential infrastructure fund, the Work Group defined "infrastructure" quite broadly, to contain the following:

- Water distribution system
- Water treatment plant
- Wastewater treatment system
- Sanitary sewer system
- Storm sewer system
- Stormwater sewer system
- Stormwater retention pond
- Lift or pump station
- Street and traffic improvements
- Electric or gas distribution line

[8] Virginia Resources Authority. https://www.virginiaresources.gov/program/virginia-airports-revolving-fund/

Suggested ineligible expenses would include broadband and electric vehicle charging infrastructure. The Work Group agreed that only publicly owned infrastructure should be eligible for a potential program. The Work Group suggested that both hard and soft costs associated with the infrastructure project should be eligible, but administrative costs would only be eligible expenses for the grant funding that could be made available to small and low-capacity localities using program income.

Prioritization

The Work Group emphasized that the fund should prioritize projects that are shovel-ready and include reasonable requirements for the project timeline. Work Group members suggested that the funds should be drawn upon by a locality within 12 months, and projects must be completed within five years. The Work Group suggested that funds could be released in tranches, or large projects could apply for multiple phases of funding so that shorter timelines could be enforced. The Work Group also emphasized prioritizing projects from localities that have conducted adequate planning for increased housing development.

SB489 called for the Work Group to consider "prioritizing certain public infrastructure projects, including those that support residential developments in localities that have implemented measures to reduce local regulatory barriers to new development." While the Work Group agreed that reducing local regulatory barriers is an important tool to encourage further development, Work Group members suggested broadening the scope to include localities that are providing incentives for residential development, as well as reducing barriers. The Work Group determined that localities should provide a narrative on their plan for increasing housing supply, including their strategy and timelines. The Work Group determined that the following actions should be given priority:

- Increases in density
- Allowing for low-cost home construction alternatives, such as modular, 3-D printed, and prefabricated housing
- Allowance of conversion of office, light industrial, and commercial space to multifamily use
- Elimination of parking minimums, restrictive setback requirements, floor area ratios, design requirements, or other regulations that decrease development
- Provision of incentives for housing development
- Other actions that encourage the development of housing.

Work Group members agreed that considering actions localities have already taken within a look-back period would be appropriate, as well as consideration of plans for future housing development, as long as the locality has plans to keep regulatory changes in place for the duration of the allocation of funding. The Work Group also stressed that the plans should address the specific housing needs of the locality. The Work Group noted that potential funding should incentivize localities to take steps that will enhance their ability to meet housing needs, but it should not prescribe a single all-purpose strategy for doing so.

Preliminary and Long-Term Fiscal Impacts

The Work Group suggested that a significant amount of funding would be necessary to make an effective residential infrastructure fund such as the one outlined by the Work Group. However, the Work Group noted that structuring the program as a revolving loan fund would ensure that committed funding could be reinvested many times without additional allocations from funding sources. The Work Group discussed the example of the VRA's Virginia Airports Revolving Fund which was initially allocated $25 million by the General Assembly in 2000 and has seen a fourfold increase in investment in a little over 20 years. The Work Group noted that infrastructure projects can cost anywhere from a few hundred thousand dollars to billions of dollars depending on their scope. The Work Group suggested that the General Assembly should consider the existing infrastructure needs of the Commonwealth and the typical costs of infrastructure projects when determining how much funding to allocate to an infrastructure fund.

Conclusion

In order to increase affordability and accommodate growth in the Commonwealth, Virginia's infrastructure must expand alongside its housing supply. An infrastructure fund could provide additional financial support that localities need in order to extend public infrastructure and reduce administrative and financial burden on housing developers, while also incentivizing localities to reduce regulatory barriers to housing and plan ahead for growth with incentives for development and shovel-ready projects. An effective residential infrastructure fund could be structured as a revolving loan fund offering below-market interest rates to counties, cities, and towns, and it could include a set-aside of grant funding that could be available to smaller, more rural, and lower-capacity localities.

VIRGINIA ACTS OF ASSEMBLY -- 2024 SESSION

CHAPTER 509

An Act to direct the Department of Housing and Community Development to convene a work group to assess the feasibility of and options for establishing a Virginia residential development infrastructure fund; report.

[S 489]

Approved April 4, 2024

Be it enacted by the General Assembly of Virginia:

1. *§ 1. That the Department of Housing and Community Development (the Department) shall convene a work group to assess the feasibility of and options for establishing a Virginia residential development infrastructure fund.*

The work group shall consider (i) whether other states have established a residential development infrastructure fund, or similar fund, and evaluate the effectiveness and best practices used in implementing such policy in other states; (ii) preliminary and long-term fiscal impacts of establishing and administering a Virginia residential development infrastructure fund; (iii) options for applicant and project eligibility criteria, application review and selection processes, funding disbursement, and other potential policies, procedures, or guidelines; and (iv) prioritizing certain public infrastructure projects, including those that support residential developments in localities that have implemented measures to reduce local regulatory barriers to new development.

The work group shall be composed of representatives from local government and individuals with expertise in single-family and multifamily land development and construction, real estate finance, infrastructure development, or other areas of expertise deemed appropriate by the Department.

All agencies of the Commonwealth shall provide assistance to the Department and the work group, upon request.

The work group shall complete its meetings by November 30, 2024, and the Department shall submit to the Division of Legislative Automated Systems an executive summary and report of its assessment no later than the first day of the 2025 Regular Session of the General Assembly. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Meeting Summary
Residential Infrastructure Fund Work Group
August 6, 2024
10:00 am
Virginia Housing Center
Glen Allen, VA

Work Group Members Present
Andrew Clark, Home Builders Association of Virginia
Claudia Cotton, Former Member of the Board of Housing and Community Development
Peter D'Alema, Virginia Resource Authority
Joe Flores, Virginia Municipal League
Lance Gregory, Virginia Department of Health
Callie Houghland, Virginia Department of Energy
Erin Kormann, Virginia Association of Realtors
Joe Lerch, Virginia Association of Counties
Chris Thompson, Virginia Housing

Other Attendees Present
Amy Fottrell, Virginia Department of Housing and Community Development
Trisha Lindsey, Virginia Department of Housing and Community Development
Chase Sawyer, Virginia Department of Housing and Community Development

Key Takeaways
- The Residential Infrastructure Fund Work Group (work group) expressed that "infrastructure" should be broadly defined and that a potential fund should address both new residential development and rehabilitation efforts.
- The work group expressed a preference for limiting project eligibility of a potential residential infrastructure fund to projects that increase the housing supply at any price point or income level.
- The work group considered the positives and negatives associated with both grant and loan programs and remains open to considering either funding mechanism.
- The work group expressed support for emphasizing project readiness as a key component to receiving funding from a potential fund.

Note: Please note the summary and notes included do not include a specific endorsement or opinion of the committee or any one committee member.

Summary
Department of Housing and Community Development (DHCD) staff provided an overview of the agenda, the legislation that guides the Residential Infrastructure Fund Work Group (SB489), and research performed on other states' programs that are similar to the program the work group is to study. Other states' programs included:
- Indiana Finance Authority's Residential Housing Infrastructure Assistance Program

- InvestUP Michigan’s Build U.P.
- Southern California Association of Governments’ Regional Utilities Supporting Housing Pilot Program
- Montana Board of Investments’ Housing Infrastructure Revolving Loan Program
- New Mexico Finance Authority’s Housing Development Revolving Fund
- Wisconsin Housing and Economic Development Association’s Infrastructure Access Loans
- Massachusetts Executive Office of Housing and Livable Communities’ HousingWorks Infrastructure Program
- Community Development Block Grants (federal program)
- Appalachian Regional Commission (federal program)
- Southeast Crescent Regional Commission (federal program)

The work group discussed the difficulty in addressing the charge of the legislature to evaluate the effectiveness of programs in other states because most other programs have been enacted very recently and there has not been enough time to evaluate their effectiveness.
Other work group members who represented Virginia agencies provided additional information on programs within their purview that also address infrastructure associated with residential development.

The work group then discussed how to define infrastructure for the purpose of the potential fund. There was general agreement among the work group that it was best to leave the definition broad and to include infrastructure that serves new development, as well as necessary infrastructure upgrades for rehabilitations and infill development. The work group agreed that the purpose of a potential fund should be to increase housing supply, so entities receiving funds should be able to justify that their project will produce new units or rehabilitate units at any price point. Considering the differences between new development and redevelopment, the work group suggested that depending on the amount of funding available it may make sense to separate the potential fund into two pools to account for each type. The work group agreed that the following publicly owned types of infrastructure should be eligible uses of funds, as long as they contribute to increasing the housing supply:

- Water distribution system
- Water treatment plant
- Wastewater treatment system
- Sanitary sewer system
- Storm sewer system
- Stormwater sewer system
- Stormwater retention pond
- Lift or pump station
- Street, road, alley, or bridge
- Curb, gutter, or sidewalk
- Traffic device

- Streetlight
- Electric or gas distribution line

The work group then turned to discuss whether the fund should provide grants or loans. Some work group members expressed concerns about the debt capacity of localities, especially small or low-capacity localities, if the funds are issued as loans. However, some work group members suggested that a revolving loan fund could help make the fund sustainable. The work group did not make a final decision on this question but was open to including both grants and loans as feasible options.

The work group discussed whether, in addition to increasing housing supply, the fund should also be more directly tied to economic development projects. The work group was in agreement that a potential residential infrastructure fund should not be limited to housing development projects that are being built in conjunction with major economic development projects. However, the work group supported tracking job creation as an outcome related to a potential fund and as a measure of success.

Finally, the work group discussed whether a potential fund should emphasize project readiness and time to implementation. The work group agreed that housing developments can take several years to come to the market and accompanying infrastructure can add additional years to a project. The work group agreed to discuss specific elements of project readiness at future work group meetings. The work group suggested that better financing terms could be an incentive for completing the project quickly.

Future Considerations

- Financial structure of a potential fund (grants vs. Loans, financing terms, etc.)
- Measures and outcomes associated with successful projects
- Project development and application assistance for localities with limited capacity
- Additional criteria for project eligibility
- Scoring criteria and prioritization for awarding funding

Meeting Summary
Residential Infrastructure Fund Work Group
September 13, 2024
10:00 am
Virginia Housing Center
Glen Allen, VA

Work Group Members Present
Andrew Clark, Home Builders Association of Virginia
Claudia Cotton, Former Member of the Board of Housing and Community Development
Peter D'Alema, Virginia Resource Authority
Michelle Gowdy, Virginia Municipal League
Lance Gregory, Virginia Department of Health
Erin Kormann, Virginia Association of Realtors
Joe Lerch, Virginia Association of Counties

Other Attendees Present
Amy Fottrell, Virginia Department of Housing and Community Development
Chase Sawyer, Virginia Department of Housing and Community Development

Key Takeaways

- The work group agreed that localities should submit a narrative describing their plans for increased housing development, including any local incentives they offer and regulatory barriers they are reducing. Projects should be prioritized based on a locality's efforts to address housing needs, as defined in the state's housing needs assessment.
- The work group agreed that localities should be required to provide audited financial statements as a baseline criterion for application to the potential fund, but there should not be other restrictions as to which localities are eligible to apply.
- The work group supported all soft and hard costs being eligible expenses and suggested administrative expenses may be eligible in certain cases, such as for small, rural localities with low capacity.
- The work group agreed that the potential fund should prioritize projects that are shovel ready, and it should enforce a timeline for completion.

Note: Please note the summary and notes included do not include a specific endorsement or opinion of the committee or any one committee member.

Summary
Department of Housing and Community Development (DHCD) staff reviewed the meeting summary from the first meeting of the Residential Infrastructure Fund Work Group (work group), which took place on August 6, 2024. The work group then discussed the next steps in the development of a potential residential infrastructure fund, including applicant eligibility,

eligible expenses, threshold criteria for scoring projects, regulatory barriers to housing development which localities could address to receive priority, and implementation requirements.

The work group continued discussions from the first meeting on topics that had unresolved questions and points of consideration. The work group discussed whether all localities would be eligible to apply for funding or whether there should be specific criteria that make a locality eligible. The work group agreed that there should be no restrictions on which localities could apply for potential funding (i.e. all localities would be eligible), however, in order to access the funding, a locality should be able to provide audited financial statements. Some members of the work group expressed interest in requiring changes to zoning that encourage housing development in order to be eligible for potential funding. Work group members also expressed support for connecting potential funding to local housing needs and population sizes.

The work group also continued discussions about eligible costs, and the work group concurred that both hard and soft costs should be eligible expenses; however, there was some debate amongst work group members about whether administrative costs should be an eligible cost. A potential set-aside for planning and administration for smaller localities was discussed. The work group also returned to the discussion about whether to structure the program as loans or grants. Work group members noted that while grants would be preferred for some rural localities and may be better suited for addressing point-in-time issues, loans offered at below-market rates would promote sustainability of the fund over time and are better suited for addressing perpetual issues. It was suggested that the work group consider structuring the program similar to the Virginia Resource Authority's Virginia Airports Revolving Fund, which offers revolving loans. The work group also discussed a mixed approach by providing grants up to a certain threshold and loans beyond that threshold.

The work group discussed whether localities that address regulatory barriers to housing development should receive priority status for potential funding, and which regulatory barriers should be considered. The work group determined that localities should provide a narrative on their plan for increasing housing supply, including their strategy and timelines. The work group determined that the following actions should be given priority in the application scoring process:

- Increases in density
- Allowing for low-cost home construction alternatives, such as modular, 3-D printed, and prefabricated housing
- Allowance of conversion of office, light industrial, and commercial space to multifamily use
- Elimination of parking minimums, restrictive setback requirements, floor area ratios, design requirements, or other regulations that decrease development
- Provision of incentives for housing development
- Other actions that encourage the development of housing.

Work group members agreed that considering actions localities have already taken within a determined look-back period would be appropriate, as well as consideration of plans for future housing development as long as the locality has plans to keep regulatory changes in place for the duration of the loan or grant and their plans will meet local housing needs. In the application, there should also be consideration for existing infrastructure capacity and how infrastructure and housing options will grow together.

Additionally, the work group discussed implementation requirements. The work group noted that environmental, labor, and public participation requirements are already included within the development timeline, and this fund should not necessitate additional requirements. Instead of requirements that housing developed in conjunction with infrastructure be affordable, the work group suggested that the housing developed should be in accordance with the state's housing needs assessment. The work group emphasized that the potential fund should prioritize projects that are shovel ready and include reasonable requirements for the project timeline. A suggestion discussed was that potential funds must be drawn on within 12 months. Work group members noted that potential funds could be released in tranches, or large projects could apply for multiple phases of funding so that shorter timelines could be enforced. Work group members noted that if funds are structured as a grant, then outcomes and timelines are more important. However, if the potential funding is a loan that must be repaid, it is less important to track measurable outcomes so long as the locality is making timely loan payments.

Future Considerations

- Financial structure of a potential fund (grants vs. loans, financing terms, etc.)
- Preliminary and long-term fiscal impacts on the potential fund, including how much should be allocated to the fund
- Measures and outcomes associated with successful projects
- Additional scoring criteria and prioritization for awarding funding

Meeting Summary
Residential Infrastructure Fund Work Group
October 24, 2024
10:00 am
Varina Area Public Library
Richmond, VA

Work Group Members Present
Demas Boudreaux, Virginia Housing
Andrew Clark, Home Builders Association of Virginia
Claudia Cotton, Former Member of the Board of Housing and Community Development
Peter D'Alema, Virginia Resources Authority
Joe Flores, Virginia Municipal League
Erin Kormann, Virginia Association of Realtors
Matthew Sell, Virginia Housing

Other Attendees Present
Amy Fottrell, Virginia Department of Housing and Community Development
Chase Sawyer, Virginia Department of Housing and Community Development

Key Takeaways

- Project proposals should be in alignment with the forthcoming statewide Housing Needs Assessment so that funding is targeted towards the infrastructure that supports the housing types most needed in a locality.
- Specifics about loan terms and underwriting should be left to the administering agency instead of codified into statute, but the Fund should provide below market rate loans.
- There should not be a minimum loan size in the first year of the Fund.
- Projects should have a five-year timeline, with prioritization for shovel-ready projects and those that can be completed sooner.
- Prioritization should also go to public-private partnerships, those with leveraged funds from other sources, and localities that are reducing barriers to housing development.

Note: Please note the summary and notes included do not include a specific endorsement or opinion of the committee or any one committee member.

Summary
At the third meeting of the Residential Infrastructure Fund Work Group (Work Group), Department of Housing and Community Development (DHCD) staff presented a draft framework for a potential residential infrastructure fund (Fund) based on the previous discussions of the Work Group at the first (August 6, 2024) and second (September 13, 2024) meetings. The Work Group proceeded to review the draft framework and suggest revisions.

In response to the draft framework, Work Group members emphasized that the primary objective of a potential fund should be to support infrastructure projects that increase the housing supply in a locality. Work Group members also stated that applications for potential funding should be prioritized if they are part of a public-private partnership and if the project will develop housing units at the price points and of the housing types referenced by the statewide Housing Needs Assessment. The Work Group also discussed the importance of ensuring that potential program related statutory language allowed for both multifamily and single-family housing development and that both new development and infill/rehabilitation were permitted.

The Work Group discussed the allocation of potential funds. The Work Group chose not to state the precise rates of loans that would be available from the potential revolving loan fund and instead recommended that the specifics be left up to the agency that ultimately administers the Fund; however, the Work Group did want to ensure that any legislation dictates loans would be below market rate.

The Work Group additionally discussed eligible applicants and threshold documentation required to apply for a potential fund. The Work Group agreed that a potential fund should only be open to localities (counties, cities, or towns), but that applications from localities should be accompanied by documentation of a public-private partnership to develop the associated housing units. The Work Group further discussed items that should be included in a locality's application, including a demonstration of need, justification that the proposed project will meet the need, a description of the project, the type of housing units proposed, and a project timeline. The Work Group also supported the requirement that applicants should be required to submit current audited financial statements.

The Work Group further discussed the size of the loans and eligible costs. Work Group members suggested that from a lender perspective, any projects under $250,000 would typically not be considered economical. However, the Work Group agreed that there should not be a minimum loan amount for the first year of the program; if necessary, a minimum loan amount could be added in the second year. The Work Group members clarified that projects including multiple types of infrastructure should be eligible and that only public infrastructure projects should be eligible.

Finally, members of the Work Group discussed applicant prioritization and scoring criteria. The Work Group agreed upon a five-year completion timeline for projects, with priority given to projects that will be completed sooner. The Work Group indicated that the ability for localities and developers to leverage other funding should be a consideration in scoring because it is a signal of the seriousness of that locality to move forward with development. Lastly, the Work Group agreed that a potential fund should consider in its scoring criteria the actions taken by a locality to eliminate barriers to housing and incentive housing development.

Work Group members agreed that there was no need for a fourth meeting of the Work Group.