

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