

SUMMARY
Virginia Housing Commission
House Room C, General Assembly Building
December 5, 2012
10:00 AM

I. Welcome and Call to Order

- **Delegate John Cosgrove, Chair**
 - the meeting was called to order at 10:00 AM.

II. Proffers: Chesapeake/Update on Use of Proffer Funding

- **Del. Cosgrove:** Let us begin with an update from the city of Chesapeake regarding proffers. Before we start this, please understand that the way the housing commission works, is we study bills during the year and make recommendations on those bills whether they come from the General Assembly to the Housing Commission or from Housing Commission members. We have had no bills dealing with proffers so basically Chesapeake is just going to tell us what they are doing with proffers. We have no action to take at this time, since there is no bill that I know of regarding proffers. Mayor Krasnoff, welcome.
- **Mayor Alan Krasnoff:** First of all let me thank you for all you have done for Chesapeake in the past, whether it's our education needs, transportation needs, our social welfare needs, you've always been there on both sides of the aisle, so we appreciate you so much for what you have done.
 - We just recently passed a law, a text amendment to the proffers, which allows the city to use the proffers in a timely manner. I want to first say this which is extremely important: we did it because we believed it was legal, and we took it from the advice of our city attorneys as well as other jurisdictions in the commonwealth. Please appreciate, and I hope you can appreciate also the fact that education is indeed a core function, and we want to ensure the quality of education because when you do that, you then guarantee an educated and a qualified workforce.
 - Our proffer policy incorporates renovations, it incorporates also maintenance. Please appreciate, when we say the word maintenance we are talking about capital projects. Within a five year plan it is \$137,000,000. Within renovations, again we have already spent \$32,000,000 on Western Branch, which is in our city, a high school as well as another high school within Indian River of almost \$42,000,000. We just recently used the proffers for a CSIP building to help those young people of \$1,200,000 so we appreciate the tool that you have given us. It has been extremely helpful, and allows us to indeed continue to help fund the capital projects that are generated from these projects, so I thank you for the introduction. We do have Mr. Ron Holman here, as well as Mr. Grady Palmer representing our city attorneys, if you have, if indeed the process is to ask questions. So again, we thank you Delegate Cosgrove and everyone else here for the opportunity.

- **Mr. Ron Hallman, City Attorney; City of Chesapeake** :I was asked by Mark Flynn to attend, and we are happy to be here, as the mayor stated. I think the issue to be addressed basically relates to maintenance and renovations and repair of facilities. The City of Chesapeake for a long time has used proffer funds we think it's within the (ambit?) of the statute to use it for that purpose, and as the mayor emphasized, we are not talking about minor painting of walls or insulation of windows. We are talking about major renovation as a capital project and as you know the statute permits the use of cash proffers for renovation, repair and maintenance of public facilities provided they are included in the approved capital improvement plan, which they are in Chesapeake. The project is consistent with the compliance plan, which they are, and third, the work is carried out on a public facility that will serve the residents generated by the rezoning, and that's more the core purposes or requirements of the proffers. And as we stated, the key here is we're not using cash proffers for routine maintenance. It would be major capital projects, included in the capital improvement plan.

 - It is notable to set forth that section 15.2-22.96 of the state code in defining the purposes of conditional zoning, contains the following language: "It is the purpose of these statutes to provide a more flexible and adaptable zoning method to cope with situations found in such zones through conditional zonings whereby zoning classification may be allowed subject to certain conditions. The exercise of authority shall not be construed to limit or restrict powers otherwise granted to the locality." The statutory purpose is flexibility.
- **Mr. Hallman:** In closing, I would state that this opinion has been consistent through the years, and I know of no local government attorneys who hold a contrary opinion. We feel that routine maintenance is for the purpose of preserving a capital asset, and if you have a school building, for instance, it is important to ensure that it remains functional for its intended purpose. So therefore we believe that it is within the purpose and intent of the legislation for this purpose. At this point I would like to call Assistant City Attorney Grady Palmer who has additional comments.
- **Mr. Grady Palmer, Assistant City Attorney; City of Chesapeake:** I just wanted to make one point here. The zoning statutes and the zoning ordinances that are adopted pursuant of those statutes really authorize localities flexibility and local discretion, and so that flavored Mr. Holman's opinion. Part of my contribution to him and to others was to explain that the intent of the legislation was to give local governments the ability to address local issues. In Chesapeake, there is need for capital projects and large-scale maintenance projects, with over &100,000,000 in outstanding projects.

 - **Mr. TK Somanath:** Do you have any proactive policies to have inclusive zoning to increase offers to build affordable housing closer to jobs?
- **Mr. Palmer:** With affordable housing, we do not even have a proffer policy. We allow those to happen because we understand the need to be closer to the job. We have something called Workforce Housing. So if you have something to come in front of us that deals with affordable or workforce housing, you are exempt from the proffer policy.
- **Delegate David Bulova:** I'm trying to understand why you imposed the proffer which is supposed to be driven by stresses and demands and pressures placed by new residents coming into the city, and then the maintenance and repairs. Certainly, you can make that case depending on exactly what kind of repair or maintenance you're talking about, or it could be a way to simply backfill or catch up on maintenance that ought to have been done over the years from existing users of those facilities. Can you talk some more about why it's

appropriate to do this via proffers as opposed to another mechanism. How many other localities do it that way?

- Prince William, Loudon, (Chesterfield is mentioned as well but omitted later 16:40) use that approach. The statute requires that the facility must serve the residents generated by the rezoning, so the rationale is, maintenance preserves those existing facilities so you don't have to buy new ones. It addresses the statutory purpose of proffers which is to alleviate the fiscal stress on localities that have to build facilities, not only schools but roads and other types of improvements to serve new residents. If you can maintain a building through major capital improvements, like renovating it or putting a roof on it and making it more functional, bringing it up-to-date with technology, etc., then you are meeting the needs generated by the new residents.
- **Mr. Michael Toalson**, *Chief Executive Officer of the Homebuilders Association of Virginia*: As you all know for the last 10 years the HBAV has maintained that the current proffer system is unbridled, out of control, and lacks accountability. I think this is another step to confirm that in fact is the case. HBAV, members of the General Assembly and most localities have long understood that a rational nexus is required in conjunction with a rezoning and a proffer itself. In fact, if you look at the proffer statement that is included in the Chesapeake application for rezoning it "acknowledges that the proposed rezoning itself gives rise to the need for the condition that such conditions have reasonable relation to the rezoning, and that such conditions are in conformity with the city's comprehensive plan." That is from the Chesapeake rezoning application I have if you care to look at it today.
 - Once again demonstrating the need for that rational nexus, and in fact, if you read further in the Code of Virginia you'll see in 15.2.22.97 and 15.2.22.98, that there is a fundamental requirement in the Code of Virginia that the rezoning itself must give rise to the need for the conditions. The conditions shall have a reasonable relation to the rezoning. Now how that can be construed to mean that new residents of a community and a new subdivision should be required to pay for maintenance and repairs, whatever degree they may be, for existing facilities is beyond me. HBAV and their attorney do not see how Chesapeake can justify their use of proffers for the construction of new facilities generated by the subdivision or development itself for the repair and maintenance of existing facilities. This is further evidence of this unbridled proffer system in Virginia. The responsibility for maintenance of existing facilities should belong to the residents who have been using the facilities. Expansion of an existing facility to accommodate new residents is a reasonable use of proffers. Local governments should not be allowed to fund routine maintenance and repairs using proffers. Funding this is the responsibility of the current residents, not new neighbors who have not used the facilities and did not cause the conditions of the facilities.
- **Del. Bulova**: Compared to Loudon and Prince William Counties, how does Chesapeake interpret the existing code to provide proffers?
 - **Mr. Toalson**: Chesterfield County does not use proffers for maintenance. I looked at the commission on local government's receipts of cash proffers and expenditures in Chesapeake. I found between (2007 and 2008), they have received \$7,279,869, and disbursed during that same period \$3,839,778. According to these records, they have over \$3 million sitting in a proffer

account that was contributed for the expansion of new facilities created by demand.

- We do have a provision in the Code of Virginia that allows flexibility for that, but only after a certain period of time, and the fund must be used same type of facilities in the vicinity of where those proffers were contributed. Chesapeake should not use funds to repair and maintain facilities that have been “worn out” by current residents. Current residents ought to pay for the repairs, not the new residents.
- **Mr. Roger Wiley** (*Loudon County*): I take issue with Mr. Toalson’s statement that cash proffers are unbridled and out of control, Loudon County’s process is anything but. Loudon County’s targeted and organized usage of proffers has been used to build 27 schools in the last decade, and they anticipate continuing at a pace of 2-3 schools per year into the foreseeable future, due to the continuing population growth. Because of this demand, it is unlikely funds were spend on maintenance. The issue If renovation or maintenance will prevent a locality from having to build a new facility to accommodate new residents, then it is a justified use of proffers. However, I also agree that routine maintenance is not a proper use of proffer funds.
- **Del. Cosgrove**: Commission has taken no action this year. This meeting is information only. However, I imagine that during session a bill will be put forward

III. Proposed Legislation

- **Mr. Eldon James**, *Public Policy Consultant: Fauquier County*: Delegate Lingamfelter an ad hoc group has been working on proposed legislation to clarify definition of betterment loans, that they can be used for alternative on-site systems, as well as alternative discharging and for conventional systems. The bill would authorize the Board of Health to make up to 25% of the Indemnification Fund available for betterment loans or guaranteeing betterment loans to serve low-income households that might be faced with failing alternative system. It would increase the portion of the application fee paid to the Health Department on AOSS permits, to be set aside into the Indemnification Fund, to keep pace with the general increase in funds that has occurred over the last several years. The Code spells out the fee. It’s \$75, but the budget bill has raised that fee to \$225 if submitting with an engineer or an on-site evaluator, to \$425 if submitted by an individual, and as high as \$1400 if it’s as high as a thousand gallons per day or larger. The set-aside for the Indemnification Fund has remained at \$10. The bill would also authorize the Commissioner of Health and the Attorney General to work to develop policies for providing those guarantees for the betterment loans.
- **Del. Bulova**: How do we pay for this? Raising the amount that goes to the betterment fund from \$10 to \$25 means that the Department of Health has a shortfall of \$300,000. I understand Del. Lingamfelter is willing to put in a budget amendment. My concern is that this would be done through the general fund, meaning that everyone would be paying for maintaining systems that are more appropriately dealt with using a user fee system. Can you give me a status of what Del. Lingamfelter is thinking? However, I have a hard time supporting this concept if the funding means that the Department of Health will be short \$300,000.
 - **Mr. James**: Delegate Lingamfelter is committed to a budget amendment. He has not determined whether he is going to ask to replace that \$300,000 with

general funds or with a \$15 fee increase or a potential percentage increase, which becomes complicated. He is still working through the best way to approach to amendment.

- **Delegate Barry Knight:** Delegate Bulova talked about a user fee for people who have septic tanks. A lot of people in my area have septic tanks and I believe we have been paying as general taxpayers for the upgrades to the Hampton Roads sanitation district.
- **Del. Cosgrove:** Are there any further comments on the AOSS Betterment Loans. Is there a motion to endorse this piece of legislation. It has been moved and seconded that the Housing Commission endorse this Bill. (Delegate Bulova abstained)
 - *(The bill was properly moved and seconded, all were in favor except Del. Bulova , who abstained, and the bill received endorsement by the Commission.*
- **Del. Cosgrove:** Delegate Marshall could not be here today. Here to talk about the SAFE Act is Maureen Stinger.
- **Ms. Maureen Stinger, General Counsel's Office at the State Corporation Commission:** This legislation is part of the Virginia framework to regulate mortgage loan originators which came out of federal legislation enacted in 2008, known as the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Federal government Congress decided to require states to start regulating not just mortgage lenders or brokers but also the individual human beings who work with people to explain their mortgages to them, offer those mortgages to them, negotiate those mortgages for them, to make sure those individuals had enough training, education, and kept up with that education so that they knew enough about the mortgage products, that they were of good character, that they had financial responsibility was another step to prevent another mortgage crisis like we faced in the late 2000's. Virginia enacted its framework in 2009. (Ch 17.6.2.)
 - The changes to legislation over the past few years occurred due to changing regulations of the federal government. This year's changes are mostly technical. There are some changes to definitions, shoring them up against federal definitions. Some changes pertain to the exemptions that are needed. This legislation will make all of Virginia's exemptions identical to those under Federal Law. Handout that explains all changes in draft legislation, and is available under the "Materials" section.
 - One other change needs to be made that Department of Housing Community Development found . In lines 22-25, because depository institution changed into covered financial institution, the definition of registered mortgage loan originator was changed; From that change, we also struck the definition of federal banking agency, so lines 22-25 can be stricken as well. I would be happy to answer and questions.
- **Ms. Elizabeth Palen, Executive Director of VHC:** If indeed the Commission decides to endorse this bill, Senator Watkins and Delegate Marshall have agreed to carry it.
- **Del. Cosgrove:** Are there any further questions about the bill? Hearing none is there a motion to pass the bill from the Housing Commission? Moved and seconded to endorse SAFE Act (which will be carried by Sen. Watkins/ and Del. Marshall) (motion passed.)
 - *The bill was properly moved and seconded, all were in favor, and the bill received endorsement by the Commission. The bill will be carried by Sen. Watkins and Del. Marshall.*

- **Del Cosgrove:** Moving on to the proposed legislation dealing with hotel / motel extended stay. We had a long discussion between Chip Dicks and Christie Marra. Has anything changed since last time?
- **Mr. Chip Dicks, Virginia Association of Realtors:** We have since reviewed the draft we discussed in Roanoke, and we have consensus on that draft among all stakeholders. I'm happy to briefly review it. The bill deals with a segment of the population that live in hotel/motel boarding house situations that are questionably not uncovered under the two (Landlord Tenant) laws and questionably not covered by the Innkeeper Statutes. The real question was what rights to people have under those circumstances. We tried to not dispossess those people of housing, because now those owners of properties do not do credit checks and do not have long term leases, and do background checks. As a result, we want to be able to house those people.
 - The balance we ended up striking was that for the first 90 days in a hotel/motel boarding house, an occupant can stay and they don't have to get credit checks, or give security deposits. They would not be treated as tenants, except for in the event that they did not make a monetary payment for their weekly room rent, that the owner of the property would agree to give a prior five day written notice that said I will change the lock on the door if you do not pay for your overnight accommodation by a given date. Other than that, the language makes it clear that there is no landlord tenant relationship in the first 90 days. After the 90th day, that by operation of law those occupant would automatically become tenants under law and would be treated as either as under the Virginia Landlord Tenant Act for single family houses or under the Residential Landlord Tenant Act for multifamily depending on circumstance.
- **Ms. Christy Marra, Virginia Poverty Law Center** As Mr. Dicks said, this does reflect the compromise reached by the stakeholders. That provision regarding those living in hotel/motel lodging for more than 90 days are covered under the (VRLTA and the VLTA's) critical as is the five day written notice not non-payment issues prior to that 90 day period. The draft does reflect that an owner of the property dealing with someone living there for fewer than 90 days can use self-help, i.e. changing locks, etc., providing the 5 day notice and lack of payment in full received by the date listed on the notice. It's pretty tight in stating the agreed upon language.
- In the first 90 days, if there is an issue not related to non-payment but related to the rules of the hotels, can the occupant be kicked out?
 - **Mr. Dicks:** Yes. For example, if someone is charged with distribution of drugs then the owner can simply change the lock.
- Then the 90th day of occupancy, all of the provisions of the Landlord Tenant Act are invoked.
 - **Mr. Dicks:** On the 91st day, all the provision of the Landlord Tenant Act would be by operation of law applicable to that relationship regardless to whether they had a written lease or not
 - **Ms. Marra:** Also, if someone is residing in this type of lodging less than 90 days but has a written lease that gives them the right to be there more than 90 days, then those people are also covered under the (VRLTA and the VLTA).
- **Del Cosgrove:** Sen. Locke will carry the bill on the Senate side, and Del. Dance will carry it on the House side. Endorsement of this legislation was moved and seconded. (The proposed legislation passed)

- *The bill was properly moved and seconded, all were in favor, and the bill received endorsement by the Commission. The bill will be carried by Sen. Lock and Del. Dance.)*
- **Del. Cosgrove:** The next piece of proposed legislation deals with Time-Shares. We have made a couple of minor changes to the larger of the two bills. Last year, it was suggested we take out the reference to \$45 to the Commissioner of Accounts and use the scale used by the Supreme Court. However, we were not aware of the huge number of foreclosures on time-shares. The fee went from \$45 per transaction to almost \$200 in some cases, costing the Homeowner's Associations in these time-share groups hundreds of thousands of dollars. I would like to fix this by putting the \$45 back in. that or if it goes through committee, I'm not sure these bulk transactions need to go through the Commissioner of Accounts at all. I'm trying to fix this.
 - The one page bill changes the definition of the developer control period. When the time share act was first passed, it said that the developer shall turn over to the Homeowner's Association either on a certain date or when 90% of unites were sold. Time-shares have morphed from what they used to be. Now, time-shares have gone into point systems, usage systems, and other instruments that were not used when the original bill was passed. This bill will allows developer to maintain control as long as they were carrying at least 20% of the time-share loans. As a time-share owner, the last thing I want is a Homeowner's association taking care of all the common elements. I think this is a reasonable change to the Time-Share Act.
- **Del. Cosgrove:** if there are no questions, is there a motion to endorse these two bills? Moved and seconded for the Housing Commission to endorse the bills. (The Bill passed)
 - *The bill was properly moved and seconded, all were in favor, and the bill received endorsement by the Commission.*

IV. Update: Virginia Housing Trust Fund

- **Bill Shelton, Director; Department of Housing & Community Development:** Gave his presentation entitled "Virginia Housing Trust Fund Update," which can be found under "Materials".
- Have you had any assurances from the Secretary of Health to piggyback the services money with this? Otherwise it is impossible to produce the outcomes.
 - **Mr. Shelton:** Sure, we have had a housing work group because of the (DOJ) issue. As well as others. This work group, a number of health and human resources agencies have been very active in meeting and considering how those systems are to be in place. Each having very specific populations. What would be the linkage at the community level to ensure that there was an individual ready to move into a rental unit. And how would the services money be assured, as well as reliable case management. The Plan is due to Department of Justice (DOJ) in early spring. Similarly, we may apply for HUD 811 program if it opens up. Workgroup is looking into how to structure such an application.
- Are they on the same schedule?
 - **Mr. Shelton:** Each of these is on a different timeline. We will move forward on projects as they become available. The \$800,000 allocation for housing

from the DOJ plan will have to be coordinated, and we are working on that now.

- **Delegate Rosalyn Dance:** If we love this plan, what happens after July 1, 2013?
 - **Mr. Shelton:** The legislature appropriated \$7 million in funds last year in session. But for the 2014 budget on July 1, 2013, the \$7 million in cash will be available to implement. (two year budget.) Our objects successfully implement the funds, and hopefully, there will be a legislative decision to continue the program in the future.
- **Del. Dance:** So there will not be a need for budget change in this session, but the next session?
 - **Mr. Shelton:** Yes, with discussion of the next (biannual) budget, there will likely be opinion on whether to move forward with appropriations.
 - **Del. Cosgrove:** The money is there in this biannual budget. What's next is the governor's budget before he leaves office.
- **Del. Dance:** So this is one to watch, Mr. Chair, if we like this program, to make sure it goes in the governor's budget before he leaves office?
 - **Del. Cosgrove:** Governor McDonnell has been supportive of affordable housing and has worked with a lot of people to make the best use of this type of program.
- **Del. Dance:** So you are saying we are guardians of this. It should be safe?
 - **Del. Cosgrove:** Yes, I hope so.
- **Ms. Lafayette:** With the foreclosure, do you anticipate that that is going to be focused primarily on single family purchases? Would there be an opportunity for a non-profit for example to make a multi-family purchase if it suited their mission?
 - **Mr. Shelton:** The way it is structured right now it is envisioned as single family. I'm not sure we really thought of that. We have done some federally financed programs like neighborhood stabilization. We would certainly be willing to look at that. Most of what we are hearing in the high foreclosure areas has been the single-family homes, which are more readily addressable with the amount of money we have. We may be able to do those with another mechanism.

V. Forecast on Housing Trends

- **Ms. Sonya Waddell:** (*Regional Economist; Federal Reserve Bank*): Presented her report as listed in attached documents under "materials" entitled "Current Housing Conditions in Virginia." Improvements of residential real estate conditions in the context of where we've been. Mortgage summary report is in front of you, but will be available on website within a week.
 - Rate of mortgages in foreclosure is declining, not at 1.65% of mortgages that are in the mortgage foreclosure inventory. That translates to roughly 23,000 loans in foreclosure process. Inventory of foreclosures have been falling steadily since the peak in 2009. The Virginian foreclosure inventory is relatively low compared to other states. We are 45th in country. Florida has 14% of loans in foreclosure. Maryland has 5% of loans in the foreclosure process, increase in Maryland has to do with the increased time a home spends in foreclosure.

- It is also important to consider the flow of loans into foreclosure. Current foreclosure starts rates of 0.64% are also down from the peak in 2009. There were 8800 new foreclosure in the last quarter, which is down from 13,000 in the 2nd quarter of 2009. However, the previous peak in 2002 had 4,000 new foreclosures, so we are in a anomalous period of high foreclosure rate.
- **Del. Bulova:** What happened with Maryland that they spiked like that?
 - **Ms. Waddell:** Maryland had a simultaneous drop in the number of loans in the 90 day delinquency. I have not looked into what was happening in Maryland legislature at the time, but they have had a number of proposal that have gone through that have stopped lenders, for a brief period, from starting the foreclosure process before they knew what they knew what the new requirements were. That is directly correlated with the drop in 90 day delinquencies, so I believe this is a function of the regulatory making process, not the data.
- **Ms. Waddell:** Prime loans still make up most of loans in foreclosure. About 47% of loans are in the prime market. By 2009, the economy had deteriorated, and we began to see many more prime mortgage holders entering foreclosure. The prime share has fallen steadily since 2009, you could think we are heading towards what was considered normal before the housing boom and the housing bust. Subprime loans are still disproportionally represented in the foreclosure pool in Virginia and the US. As we move into the future, subprime will continue make up a higher share of the mortgage inventory than it does the foreclosure inventory.
 - Delinquency rates have also declined between 2009 and 2012, which leads to a decline in the shadow inventory. We saw a US year over year growth of existing home sales of 10.9% in October, and new home sales grew almost 17%.
- **Del. Cosgrove:** Do you have Virginia numbers?
 - **Ms. Waddell:** According to Virginia Association of Realtors October report, home sales in Virginia grew roughly 12% from October 2011 to October 2012.
- **Del. Cosgrove:** Do you know if that is in mostly northern Virginia?
 - **Ms. Waddell:** I do not know, but I am sure someone from the Virginia Association of Realtors can provide that information.
- Growth varies from region to region. We are up 14% in Richmond. Northern Virginia is up double digits as well. However, there is less growth elsewhere.
- **Ms. Waddell:** Home sale levels are still much lower than what they were even in 2000. We have also seen improvements in housing starts, to what extent will an improvement in the shadow inventory and in home sales lead to an increase in construction. Our contacts at the Federal Reserve are indicating an improvement in residential and nonresidential construction. We are seeing indicators of improvement in that area, but we have not seen a turnaround in construction employment. We anticipate some improvement, but we have also been about difficulties getting construction employees form our contact across the districts. We are also seeing some stabilization in house prices, particularly in sales excluding sales of distressed properties.
 - In the beginning we saw strong concentrations of owner-occupied total loans in foreclosure or (REO: Virginia). This concentration then shifted further south, and now we see a map not too dissimilar from what we may have seen in 2006

or 2007. The numbers are higher, but the distribution is similar. Looking at the state as a whole, we no longer have large areas of concentrated foreclosures, the 90 day delinquency has a similar story.

- Going back a couple of slides to the house prices by region, the y-axis is for single family detached ? is that inventory?
 - **Ms. Waddell:** These are single family homes. That is correct.
- **Ms. Waddell:** The labor market, which is very closely tied to the housing market, is also improving. In the past year, we have seen an average increase of about 3000 jobs per month in the state of Virginia. The map of unemployment distribution in Virginia is based the distribution of data at that time, so past presentations will show a very similar map. By 2011, we began to see some counties decrease in unemployment, and that is the current situation.
 - Residential real estate condition improvement. We have seen house price stabilization, or even sustained improvement, evidence of a pick-up in construction, although construction employment has not improved, and stabilizing or declining foreclosure and delinquency rates. The Virginia labor market is also picking up.
 - On the other hand, we have a long way to go to regain the losses of the past few years, and we still have a historically high level of problem loans to work through in Virginia and in the nation.
- **Sen. Barker:** I represent part of Prince William County, which along with Manassas and Manassas Park was where we had the largest issues in Virginia related to foreclosures. We had a traumatic period of time in Prince William where over 10% of homes in some zip codes were in foreclosure in a single year, and it is good to see that no one in Virginia is at that level right now. We had a number of factors that clearly affected us. One was that we had a lot of new homes that had been built. We had the second largest population growth anywhere in the state, over 40% in the last decade. Thus, there were many new homes built.
 - So you therefore had a lot of people who were very highly leveraged and did not have significant equity. They had not had a lot of time to pay down their mortgages, and we had a decrease in average value of about 50%. In the city of Manassas, the assessed value of the average townhouse went down over 62% in a three year period. You end up with a majority of the population actually underwater on their mortgages. This combined with a lot of other things created a lot of problems.
 - It has been very good news in the last few years. I think we're starting to come out of that. Things have stabilized. I think the foreclosure rate is down dramatically from what it was previously. In the Prince William area, our inventory is down significantly. The problem loans have mostly moved through the market, which helping stabilize things. We are seeing a slight increase in prices. A lot of people who have retired and moved to North Carolina are still holding on to their homes because they figure that prices are going to go up a little more, so there is at least some optimism there.
- **Sen. Barker:** We have had some major lenders step forward in some very positive ways to help address the situation realizing the severity of it there. Bank of America in particular has put a lot of investment into the community. They worked with the community and also with individual lenders in effect writing off portions of mortgages in many of the instances where people were way underwater and were having difficulty paying, and I think it has been a very

positive thing for the community at large. It has helped a lot of people get in positions where they can keep their mortgages and keep their homes, and it's also helped Bank of America not have to figure out what to do with all of these homes that we got that we had to foreclose on.

- Some other lenders are also participating in some of those programs. We have seen a partnership between the community and the individuals who were suffering with the lenders. That is making a huge difference in terms of stabilizing the whole real estate market. We have been through a bad time, but we are at least heading in the right direction. I am pleased to be able to report that.
- **Sonya Waddell:** That is what we've been seeing as well.

VI. Continuing Care Retirement Communities (CCRCs)

- **Sen. Barker:** I have a report from our workgroup. We had our last meeting on Friday. This is the first time in about 20 years that we have made a major effort to look at Continuing Care Retirement Communities (CCRCs). Most of our discussion this year focused financial stability and transparency for the residents within these facilities and for the facilities themselves and governance issues, in particular the issue of residents having a seat at the table as it related to governance and communication. We worked with the Bureau of Insurance and with the State Corporation Commission and came forward with four recommendations. They are working on implementing those without introducing new legislation.
 - We are getting some simplified financial information so it is more understandable to residents and prospective residents, in addition to the regular financial statement. The regular financial statement would still be there. The industry has indicated that they are willing to do this. They just want a template to fill out and they will fill in the numbers. The bureau also is preparing a consumer information guide to help residents and prospective residents understand what the issues are, what they are getting into, and what their rights and responsibilities are and also understand the role of the State Corporation Commission and oversight and how they can contact them. Then also do an administrative letter to the facilities talking about the new simplified financial reporting information, and also reminding them of other responsibilities of the facilities that have been issues in the past.
- **Sen. Barker:** On the governance side, one of the major issues is a desire of the residents in many instances to have a resident representative on the Board of Directors. There has been a significant increase in that over time and we are up to about 60% of the facilities now that do have a resident now. Some of them are voting, some are not voting, and even facilities that do not have a resident on the board will still have a resident sitting on committees. I think we are making significant progress in the role of the resident.
 - We are proposing and request information from each of the facilities regarding their status so far as having a resident on the board. If they have a resident, we will ask them how is that resident selected, and to consider revising their policy if they do not have a voting resident on the board. The industry represented through the Virginia Association for Nonprofit Homes for the Aging

(VANHA), of which most of the CCRCs are members, has offered to help out with that. I've suggested is that we do this as a joint request from the Housing Commission and from VANHA. The hope is that the industry group and the resident group will come to an agreement about some things. We would also like to continue the study for one more year to finish it up.

- I would make a motion to accept and approve this report and proceed further.
- The motion was seconded by Del Dance, concerning looking at the two action items under governance and also that we continue the study for another year. All were in favor and the motion was endorsed by the Commission.

VII. Election of VHC Chair

- **Del. Cosgrove:** Thanked and praised the commission, and then opened the floor for nominations.
- **The Commission endorsed Sen. Locke as the new Chair of the Housing Commission.))**
 - **Del. Marshall will serve as Vice Chair of the Commission.**

VIII. Public Comment

- **Del. Bulova:** I realize I not a member of the public, but I had a point I wanted to bring up. At the last Housing and Environmental Standards meeting, Eldon James brought forth a proposed study bill to look at some of our alternative septic system language dealing with the appropriate balance of local discretion versus state discretion, enforcement, and authority. This was precipitated by three different interpretations of the Attorney General on aspects of that particular code.
 - Mr. James put in a suggestion for a legislative study that would look into those issues, and possibly come up with a model ordinance for localities to use as a template with respect to alternative on-site systems. It was our recommendation, not to move forward with a formal study; but because there was enough interest in the subcommittee, we may incorporate that into our work plan for next year and see if we can work towards tweaks in language of the Code, and see if can get the stakeholders together to look at what a strqw-man model ordinance might look like. This was the recommendation of the subcommittee.

IX. Adjourn

- Hearing no further comment, **Del. Cosgrove** adjourned the meeting at 12:30 P.M.