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Home Builders Association of Virginia Announces Legislation to Expand Access to Housing Opportunities

Delegate Jeff Bourne (D-Richmond) introduces legislation to begin developing a Virginia Housing Opportunity Tax Credit Program; Constitutional amendment to allow tax abatement programs for new construction affordable housing.

Richmond, VA – Today, the Home Builders Association of Virginia (HBAV) announced two pieces of affordable housing legislation which have been introduced for consideration during the 2020 General Assembly Session. Citing the growing housing supply and demand gap, HBAV will partner with members of the General Assembly on several bills to reduce the barriers to entry that render affordable housing projects financially infeasible, including the increasing price of land and labor, lengthy development review processes, and the complexity of financing affordable housing developments.

“CNBC recently ranked Virginia as the best state for business, but 32nd in cost of living. Significant increases in rents and mortgages, stagnant wages in many jobs, and several decades of expanding local impediments to the construction of for-sale and rental housing have intensified to the point that we continue to see a drastic shortage of housing at a diversity of price points. Virginia’s continued economic vitality will be dependent upon our ability to address the expansive housing supply and demand gap” **said Craig Toalson, Chief Executive Officer of the Home Builders Association of Virginia.**

[House Bill 810](#), patroned by Delegate Jeff Bourne (D-Richmond), would establish a stakeholder advisory group (SAG) within the Virginia Department of Housing and Community Development and the Virginia Housing Development Authority for the purpose of developing a *Virginia Housing Opportunity Tax Credit*, which is often referred to as a *State Low-Income Housing Tax Credit Program*. Like the Federal Low-Income Housing Tax Credit (LIHTC), the Virginia Housing Opportunity Tax Credit would provide incentives for the utilization of private equity in the development and construction of affordable housing in Virginia. Under the Federal LIHTC Program, private investors receive a federal income tax credit as an incentive to make equity investments in affordable housing developments. That equity is then used to finance the construction and rehabilitation of affordable housing developments. The equity raised from the tax credits reduces the private and non-profit housing sectors reliance on costlier sources of financing, such as bank loans. Between 1987 and 2017, the Federal Low-Income Housing Tax Credit has financed over 47,000 projects and over 3.13 million housing units across the countryⁱ and over 99,000 affordable housing units in the Commonwealth of Virginiaⁱⁱ.

Approximately 19 states have enacted “State Low-Income Housing Tax Credit Programs” which can be utilized in conjunction with the Federal LIHTC to expand the amount of equity investment that is available for affordable housing developments and increase the number and geographic diversity of affordable housing developments. The design and structure of these tax credits programs and incentives vary from state to state. According to the National Council of State Housing Agencies, Arkansas, California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Massachusetts, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, Utah, Vermont, and Wisconsin operate state housing tax credit programs. Nevada’s state housing tax credit program was signed into law in June 2019, and at least seven other states have pending legislation to establish a state housing tax credit program, including Arizona, Kentucky, Minnesota, Maryland, Maine, Pennsylvania, and South Carolina.

In addition to developing model legislation and regulations for a Virginia Housing Opportunity Tax Credit, the SAG would also conduct financial modeling to determine the fiscal impact to the Commonwealth of Virginia of various levels of funding for the tax credit. Under [House Bill 810](#), the SAG is expected to present its recommendations by September 1, 2020. The actual implementation of a Virginia Housing Opportunity Tax Credit would be subject to approval by the General Assembly during a future session.

“Housing issues are not partisan issues – all 140 members of the legislature have constituents who are struggling to pay their rent, their mortgage, or even find an affordable place to live. There is a fierce sense of urgency to address Virginia’s housing crisis and I look forward to working with my colleagues on this bill and several others aimed at creating housing opportunities for all” said **Delegate Jeff Bourne (D-Richmond)**

“Many communities around the Commonwealth are trapped in an endless housing crisis – stagnant supply and surging demand are resulting in housing costs that are outpacing local incomes. That kind of structural imbalance in the housing market is not sustainable for Virginia’s economy. Programs like this have a proven track record of putting units on the ground and helping the private and non-profit housing sectors create inclusive communities with long-term economic upward mobility for all residents,” said **Andrew Clark, Vice President of Government Affairs for the Home Builders Association of Virginia.**

“The reality is that these projects are becoming increasingly more difficult to finance; the creation of a Virginia Housing Opportunity Tax Credit would attract more investors and equity financing for these projects. But we need to make sure we get this right – under this legislation, we will be able to convene experts from various fields to help ensure that any future credit is impactful and fiscally responsible,” said **Delegate Jeff Bourne (D-Richmond).**

[House Joint Resolution 2 \(HJ2\)](#), also patroned by Delegate Jeff Bourne (D-Richmond), proposes a change to the Constitution of Virginia to allow the General Assembly to authorize localities to enact full or partial real estate tax abatement programs for **new construction affordable housing developments**. Currently, localities are only permitted to enact these programs for the rehabilitation of **existing structures**. Rehabilitation tax abatement programs have been successfully utilized by localities around the Commonwealth to spur catalytic investment in dilapidated, vacant, or under-utilized structures.

“Affordable housing projects are inherently more challenging than market-rate developments because of the complexity of the blended-financing mechanisms, restrictive local ordinances and costly development standards, and various other Federal, state, and local impediments. Current tax abatement programs are largely focused on the rehabilitation of existing structures. This legislation would ultimately provide local governments another tool to spur investment in infill or greenfield projects, while also providing the housing industry a way to mitigate the financial barriers to entry for affordable housing developments” said **Andrew Clark, Vice President of Government Affairs for the Home Builders Association of Virginia.**

“The rehabilitation tax abatement program has been instrumental in reviving many local economies across the Commonwealth, including the City of Richmond. This legislation lays the groundwork for localities to enact incentives that are struggling to attract private and non-profit new housing construction that is affordable for individuals and families across the income spectrum” said **Delegate Jeff Bourne (D-Richmond).**

If a proposed Constitutional amendment is approved by a simple majority vote in one session of the General Assembly, it is referred to the next session that occurs after the next general election of members of the House of Delegates. If the proposed amendment is "agreed to by a majority of all the members elected to each house" it is then placed on the next special or general election ballot for approval or disapproval by the voters.

The Federal Reserve Bank of Richmond’s *2019 Community Pulse* report, which gauges current and emerging issues among the business community, non-profits, local governments, and other stakeholders in Virginia and neighboring states, found that “the issue having the most significant impact on respondents’ communities was amount of and/or access to affordable housing. The second and third ranked issues were skill level of local labor force (soft and/or technical) and adequate infrastructure including funding, availability and reliability of sewer, water, roads or public transit options.”ⁱⁱⁱ

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The Home Building Association of the Virginia (HBAV) is the trade association for the single-family and multi-family residential land development and construction industry in Virginia. Based in Richmond, Virginia, the HBAV represents over 3,500 member companies involved in the construction or rehabilitation of for-sale and rental residential dwelling units, including builders, developers, architects, engineers, contractors, and the trades that are involved in the various stages of land development and construction. Founded in 1956 as the state chapter of the National Association of Home Builders, the HBAV is comprised of 15 local associations around the Commonwealth.

ⁱ <https://www.huduser.gov/portal/datasets/lihtc.html>

ⁱⁱ Virginia Housing Development Authority:

<https://www.vhda.com/BusinessPartners/MFDevelopers/LIHTCProgram/LowIncome%20Housing%20Tax%20Credit%20Program/Existing%20TC%20Properties%202019.xlsx>

ⁱⁱⁱ https://www.richmondfed.org/-/media/richmondfedorg/publications/community_development/community_pulse/2019/community_pulse_2019.pdf