

Home Builders Association of Virginia



2021 General Assembly Session

Overview of Adopted State Budget

Environmental, Commerce and Trade, and Transportation

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Introduction

The 2021 Session of the Virginia General Assembly concluded on Monday, March 1st. Legislators introduced nearly 1,800 bills this Session and HBAV identified over 120 bills that directly or indirectly impacted the residential land development and construction industry. Legislators also debated revisions to the Commonwealth’s two-year state budget, which included several items relevant to our industry.

Below is an overview of the ***budget amendments*** that HBAV worked on during the 2021 Session and others that are of interest to our members. These budget amendments were adopted by the General Assembly and sent to the Governor for consideration. In the coming weeks, we will send out a comprehensive summary of the ***legislation*** that was introduced, defeated, or adopted during the 2021 General Assembly Session.

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Environment and Natural Resources:

Additional Investment in DEQ Permitting Programs: Restoration of \$12M in FY 2022 for the Department of Environmental Quality's monitoring, compliance, permitting, and policy activities in its Water, Air, and Land Protection programs.

DEQ Fees and Additional Funding for the Stormwater Management Fund: Early in the Session, HBAV and the Virginia Association for Commercial Real-Estate (VACRE) expressed concerns with budget language which would have allowed the State Water Control Board to increase DEQ's fees for stormwater permits through an expedited process with minimal stakeholder engagement. Both HBAV and VACRE agree that the Department's fee schedule needs revisions but urged legislators and the Department to include language that would ensure that any consideration of fee increases go through the customary stakeholder engagement process (the "APA process").

During our discussions, the Department agreed that any new fee schedule would be adopted after a stakeholder engagement process (which will include representatives from HBAV and VACRE) and that the fee increases will only be for the Department's direct costs and not for any increase in fees going to the localities. The budget language also requires that the fees account for no less than 60% and no more than 62% of DEQ's direct costs.

Relatedly, HBAV and VACRE also supported the allocation of \$1.1M additional General Fund money to the Virginia Stormwater Management Fund to help the Department maintain its current staffing levels. This \$1.1M is new funding, is not tied to any fee increases, and will bring state funding of the program to the 40% level.

Nutrient Credit Workgroup: Directing the DEQ, Department of Agriculture and Consumer Services, and the Department of Forestry to establish workgroup to review the practice of retiring agricultural land for the generation of nutrient credits and determine its impact on agricultural sustainability, farmland retention, farmland preservation, and functions of the nutrient credit exchange in the Virginia portion of the Chesapeake Bay watershed and its subwatersheds. If it is determined that there is impact on farmland retention/availability, the report should include recommendations regarding how the nutrient credit trading regulations and/or underlying statutory authority should be changed to help reduce the loss of prime farmland. If the land for nutrient credits is converted to forestland, the workgroup should identify what protections are in the nutrient credit trading regulations to ensure the forestland is managed under a forestry management plan and/or noxious weed or invasive species are controlled.

Stakeholder Workgroup to Evaluate Virginia's Tree Statutes: Directing to the Department of Forestry to convene a stakeholder workgroup to review state statutes related to tree preservation, planting, and replacement during the land development process. HBAV successfully advocated to include similar language in [SB 1393](#), which as introduced, would have significantly expanded localities authority to enact tree ordinances. This budget amendment – and the amended version of SB 1393 – will allow for a more collaborative approach to evaluating possible changes to Virginia's enabling statutes related to trees.

Water Quality:

Water Quality Improvement Fund: Appropriated \$100 million to partner with local governments and public service authorities to fund upgrades to approximately 30 wastewater treatment plants, with a strong focus on the James River watershed. This is a significant down payment on additional state funding assistance needed for facility improvements to be carried out over the next five years.

Stormwater Local Assistance Fund: Appropriated an additional \$25 million in FY 22 in grant funding to assist local governments with suburban and urban stormwater projects. This adds to \$50 million appropriated in 2020.

Agricultural BMPs: Appropriated an additional \$30 million for the state's water quality cost-share program for farmers, bringing the total appropriation in FY 22 to \$65 million. This includes \$3.9 million for technical assistance in addition to the \$4.5 million for base technical assistance in the underlying budget for a total of \$8.45 million in technical assistance to Soil & Water Conservation Districts. This year's Ag BMP is in addition to the approximately \$10 million provided from the state's recordation fee.

Commerce and Trade:

Establishment of a Virginia Housing Opportunity Tax Credit: One of HBAV's top legislative priorities this Session was to establish a Virginia Housing Opportunity Tax Credit ([SB 1197](#); [HB 2050](#)), also known as a State Low-Income Housing Tax Credit (LIHTC). Similar to the Federal LIHTC Program, the Virginia Housing Opportunity Tax Credit will incentivize private equity investments into affordable housing developments. That legislation was passed by the General Assembly and the budget adopted by the General Assembly allocated \$15M per year, for five years, for that program.

New Cabinet Official- Secretary of Labor: The approved budget creates a new cabinet-level position for a Secretary of Labor. This Secretariat will be responsible for overseeing the Virginia Department of Labor and Industry, the Department of Professional and Occupational Regulation, and the Virginia Employment Commission.

Accessory Dwelling Unit (ADU) Workgroup: HBAV advocated for [legislation](#) and budget language establishing a stakeholder advisory group to evaluate impediments to the construction of ADUs and developing recommendations for state policy changes that would facilitate increase construction of ADUs.

Other Budget Amendments:

Joint Subcommittee to Evaluate Virginia's Tax Policy: Establishes the creation of a Joint Subcommittee on Tax Policy. This joint subcommittee will evaluate and make recommendations on potential changes to Virginia's tax policies, including changes to tax brackets, tax rates, credits, deductions, and exemptions, and any other changes it deems necessary. The Joint Subcommittee will consider factors such as equity, certainty, convenience of payment, economy in collection, simplicity, neutrality, economic efficiency and any other factors it deems relevant to the Commonwealth's tax policies.

[Statewide Broadband Map](#): Allocated nearly \$500,000 to the Department of Housing and Community Development to support the creation of statewide broadband availability map indicating broadband coverage, including maximum broadband speeds available in service territories in the Commonwealth. The initial map will be due by July 1, 2022 and shall be updated annually.

[Virginia R-PACE Program \(Residential Property Assessed Clean Energy\)](#): Directing the Department of Mines, Minerals, and Energy (DMME) shall establish a work group to determine the feasibility and approach of creating a Virginia R-PACE program. The R-PACE work group shall assess the status and readiness of Federal regulations to support an R-PACE program; determine market interest, size, and potential volume for a Virginia R-PACE program; recommend draft legislation to facilitate program implementation and administration; and develop draft guidelines governing R-PACE loans in Virginia.

[Enterprise Zone Funding](#): Restored \$250,000 in funding for the Virginia Enterprise Zone Program.

Regional Budget Amendments:

[Roanoke/Blacksburg-Christiansburg Intercity Passenger Rail](#): Allocated nearly \$83,500,000 to extend intercity passenger rail service from Roanoke, Virginia to the Blacksburg-Christiansburg, Virginia area and increase the frequency of intercity passenger rail service along the I-81/Route 29 Corridor from Washington, D.C.

[Virginia Railway Express Manassas Line](#): Allocated \$83,500,000 to improve commuter rail service on the Virginia Railway Express Manassas Line.

[Interstate 64 Corridor](#): Allocated \$93,100,000 for improvements to the Interstate 64 Corridor as follows: (i) to provide any amounts necessary to complete the funding plan for the Hampton Roads Express Lanes as identified in the Master Agreement for Development and Tolling of the Hampton Roads Express Lanes Network and (ii) any remaining amounts to improve Interstate 64 between exit 205 and exit 234 as determined by the Commonwealth Transportation Board.

[Coastal Virginia Transportation Infrastructure Inundation Study](#): Directing the Department of Transportation and the Virginia Institute for Marine Science to provide an annual update on the status of the Coastal Virginia Transportation Infrastructure Inundation Study no later than December 1 of each year to various committees. The report shall include at a minimum: an up-to-date identification of at-risk rural, suburban and urban infrastructure, and planning and options to mitigate or eliminate the identified risks; and a report on what work remains to be completed and estimated time frame for the completion of its work.

[Elevated Septic System Pilot Project in Rural Coastal Virginia](#): Allocated \$120,000 over two years to fund an elevated septic system pilot program at the Middle Peninsula Planning District Commission. Septic systems in coastal Virginia suffer from a constant threat of sea level rise, storm surges, and chronic flooding which can cause catastrophic failures of inground septic systems due to water inundation.