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HOUSE BILL NO. 2048
AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the House Committee on Finance
on January 29, 2025)
(Patron Prior to Substitute—Delegate Anthony)

A *BILL to amend and reenact § 36-142 of the Code of Virginia, relating to Virginia Housing Trust Fund; geographic equity impact assessment.*

Be it enacted by the General Assembly of Virginia:

**1. That § 36-142 of the Code of Virginia is amended and reenacted as follows:
§ 36-142. Creation and management of Fund.**

A. There is hereby established in the state treasury a special permanent, nonreverting fund, to be known as the "Virginia Housing Trust Fund." The Fund shall be established on the books of the Comptroller and consist of sums appropriated to the Fund by the General Assembly, all receipts by the Fund from loans made by it to housing sponsors and persons and families of low and moderate income, all income from the investment of moneys held in the Fund, and any other sums designated for deposit to the Fund from any source, public or private. The Fund shall also consist of such other sums as may be made available to it and shall include federal grants solicited and received for the specific purposes of the Fund and all interest and income from investment of the Fund. Any sums remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. All moneys designated for the Fund shall be paid into the state treasury and credited to the Fund.

B. The Department shall:

1. Work in collaboration with the HDA to provide loan origination and servicing activities as needed to carry out the purposes of the Fund. The costs of such services shall be considered an eligible use of the Fund; ~~and~~

2. Use, through HDA, at least 80 percent of the moneys from the Fund to provide ~~flexible financing for low interest loans through eligible organizations~~ *financing that prioritizes equitable distribution based on the geographic equity impact assessment conducted pursuant to this section.* Such loans shall be structured to maximize leveraging opportunities. All such funds shall be repaid to the credit of the Fund. Loans may be provided for (i) affordable rental housing to include new construction, rehabilitation, repair, or acquisition of housing to assist low or moderate income citizens, including land and land improvements; (ii) down payment and closing cost assistance for homebuyers; and (iii) short-term, medium-term, and long-term loans to reduce the cost of homeownership and rental housing. Moneys required by the HDA to fund such loans and perform loan closing and disbursement services shall be transferred from the Fund to the HDA;

3. *Conduct an annual geographic equity impact assessment (GEIA) to guide the allocation of resources from the Fund and prevent the overconcentration of low-income housing developments in any one locality or neighborhood. The GEIA shall include:*

a. *Identification of areas with significant unmet housing needs, including distressed localities and underserved regions, using metrics such as housing density, access to transportation, economic opportunity, and availability of community resources;*

b. *Establishment of thresholds to prevent the overconcentration of low-income housing developments in a single locality or neighborhood, ensuring a balanced distribution of affordable units across the Commonwealth;*

c. *Development of a regional allocation strategy that ensures urban, suburban, and rural regions receive an equitable share of resources based on population size, housing needs, and infrastructure capacity;*

d. *Evaluation of the effect of proposed housing developments on infrastructure, schools, transportation, and community services, ensuring developments align with community capacity and resources; and*

e. *Engagement with stakeholders, including local governments, community organizations, and residents, to incorporate local priorities and avoid disproportionate burdens on specific areas. Incentives for additional developments in already overconcentrated areas are explicitly prohibited.*

The Department shall include the results of the GEIA in its annual report to the General Assembly pursuant to § 36-139. Such report shall include findings, maps illustrating areas of overconcentration and unmet housing needs, and recommendations for improving the equitable distribution of housing resources.

The Department may use up to 20 percent of the moneys from the Fund to provide grants through eligible organizations for targeted efforts to reduce homelessness, including (a) temporary rental assistance, not to exceed one year; (b) housing stabilization services in permanent supportive housing for homeless individuals and homeless families; (c) mortgage foreclosure counseling targeted at localities with the highest incidence of foreclosure activity; and (d) predevelopment assistance for permanent supportive housing and other long-term housing options for the homeless.

The Department shall allocate no more than 20 percent of the moneys from the Fund to a single locality

HOUSE
SUBSTITUTE

HB2048H1

1/29/25 15:54

60 *unless such locality has been identified as underserved in the most recent GEIA. The Department shall*
61 *allocate a minimum of 20 percent of the moneys from the Fund annually to localities that do not qualify as an*
62 *urban area as identified in the most recent United States Census; and*

63 *4. HDA shall publish the results of the annual GEIA in the Qualified Allocation Plan promulgated by*
64 *HDA pursuant to § 42 of the Internal Revenue Code, as amended. Developers shall address these findings in*
65 *their applications for loans or grants from the Fund, including alignment with underserved area priorities*
66 *and compliance with overconcentration thresholds. The Department shall review all applications for*
67 *compliance with the GEIA thresholds during the threshold review stage of the QAP process. Applications*
68 *failing to meet these thresholds shall not proceed to scoring. The Department shall incorporate GEIA*
69 *findings into the scoring system, including providing additional weight for proposals in underserved areas*
70 *and reducing scores for proposals in overconcentrated areas. Before finalizing funding allocations, the*
71 *Department shall review all selected proposals for compliance with the GEIA findings to ensure alignment*
72 *with equity goals.*

73 *C. The Fund shall be administered and managed by the Department as prescribed in this chapter. In order*
74 *to carry out the administration and management of the Fund, the Department is granted the power to contract*
75 *with or employ officers, employees, agents, advisers and consultants, including, without limitation, attorneys,*
76 *financial advisers, public accountants, engineers and other technical advisers and, the provisions of any other*
77 *law to the contrary notwithstanding, to determine their duties and compensation without the approval of any*
78 *other agency or instrumentality. The Department may disburse from the Fund its reasonable costs and*
79 *expenses incurred in the administration and management of the Fund, including reasonable fees and costs of*
80 *the HDA.*

81 *D. For the purposes of this section, eligible organizations include (i) localities, (ii) local government*
82 *housing authorities, (iii) regional and statewide housing assistance organizations that provide assistance to*
83 *low and moderate income or low income citizens of Virginia, and (iv) limited liability companies expressly*
84 *created for the purpose of owning and operating affordable housing.*

85 *E. In any year prior to the expenditure of any general funds appropriated for the Fund for the next*
86 *succeeding fiscal year, the Department, in conjunction with HDA, shall submit a plan outlining the proposed*
87 *uses of such funds to the General Assembly. The plan shall be provided to the Chairmen of the House*
88 *Committee on Appropriations and the Senate Committee on Finance and Appropriations no later than*
89 *November 1 of each year.*