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**HOUSE BILL NO. 1042**

Offered January 14, 2026

Prefiled January 14, 2026

*A BILL to amend the Code of Virginia by adding in Title 36 a chapter numbered 13, consisting of sections numbered 36-176 through 36-181, relating to Zoning for Housing Production Pilot Program created; affordable dwelling unit policy incentives; report.*

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Committee Referral Pending

**Be it enacted by the General Assembly of Virginia:**  
**1. That the Code of Virginia is amended by adding in Title 36 a chapter numbered 13, consisting of sections numbered 36-176 through 36-181, as follows:**

**CHAPTER 13.****ZONING FOR HOUSING PRODUCTION ACT.****§ 36-176. Definitions.**

*As used in this chapter, unless the context requires a different meaning:*

*"Accessory dwelling unit" means a self-contained residential dwelling unit located on the same lot as a stand-alone or detached single-family home.*

*"Affordable housing" means a dwelling for which the rent is no greater than 30 percent of the total household income of a household earning 80 percent of the area median income and that is held available for persons or families that have a household income no greater than 80 percent of the area median income.*

*"By-right development" means land that may be developed without applying for a zoning special exception or special use permit.*

*"Department" means the Department of Housing and Community Development.*

*"Eligible locality" means the Cities of Hampton, Manassas, Manassas Park, Newport News, and Richmond and Chesterfield, Hanover, Henrico, Prince William, Spotsylvania, and Stafford Counties.*

*"Mixed-income community" means a development that includes residential dwelling units that are affordable to persons and families with a range of income levels.*

*"Moderately priced housing" means housing for which the rent is no more than 30 percent of the income of a tenant whose income is no greater than the area median income.*

*"Multifamily housing" means residential buildings consisting of more than one self-contained dwelling unit, including duplexes, triplexes, and quadriplexes.*

*"Program" means the Zoning for Housing Production Pilot Program created pursuant to § 36-178.*

*"Single-family housing" means a dwelling consisting of only one self-contained residential unit.*

**§ 36-177. Powers and duties of the Department; report.**

*A. The Department shall administer this chapter and shall have the following powers and duties:*

*1. Create an application form and develop an application scoring matrix that assigns each application for a grant from the Program points based on the extent to which the application addresses the grant criteria described in § 36-179 to determine the distribution, duration, and termination of awards from the Program;*

*2. Determine a minimum and a maximum grant award amount to be awarded to successful applicants prior to accepting applications;*

*3. Establish a time period of no less than 30 days during which applications for grants from the Program will be accepted on an annual basis;*

*4. Review each application received and request any additional information that it deems necessary to evaluate the application within 90 days of the last date designated for localities to submit an application;*

*5. Grant awards to eligible localities from the Program based on the points assigned to each application according to the scoring matrix;*

*6. Collect and keep record of the actual number of affordable housing units developed in localities that receive a grant from the Program and projections made by such locality during the application process;*

*7. Seek independent analytical assistance from outside consultants, as necessary, including post-grant assessments and reviews to evaluate the results and outcomes of grants awarded pursuant to this chapter; and*

*8. Submit an annual report to the Governor and the General Assembly no later than November 1 of each year with the information described in subsection B as a report document as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports that shall be posted on the General Assembly's website.*

*B. The annual report submitted by the Department to the Governor and the General Assembly pursuant to*

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59 subsection A shall include the following information:

- 60 1. The number of applicants for a grant from the Program;
- 61 2. The number and dollar amounts of grants awarded;
- 62 3. The projected number of housing units to be created in each locality awarded a grant from the
- 63 Program and the actual number of housing units developed in each locality from the use of such grant;
- 64 4. Any legislative recommendations relevant to the provisions of this chapter;
- 65 5. An assessment of which additional localities could be added to the list of eligible localities to further
- 66 the goals of the Program and the estimated cost of adding such localities;
- 67 6. The estimated cost of expanding the Program to all localities of the Commonwealth; and
- 68 7. Any other information deemed by the Department to be relevant and useful to the Governor and
- 69 General Assembly in assessing such report.

70 **§ 36-178. Zoning for Housing Production Pilot Program.**

71 A. There is hereby created the Zoning for Housing Production Pilot Program. All funds as may be

72 appropriated by the General Assembly and from any other sources, public or private, shall be paid into the

73 state treasury and credited to the Program.

74 B. The Program shall encourage localities to adopt flexible zoning policies that promote a full range of

75 housing choices, create mixed-income neighborhoods, and encourage the construction and continued

76 existence of affordable housing and moderately priced housing in the Commonwealth. Specifically, the

77 Program shall be used to incentivize, using grant awards, eligible localities to adopt changes to their existing

78 zoning policies to allow for by-right development that is expected to further the goals listed in this subsection.

79 No locality other than an eligible locality shall receive funding from the Program.

80 **§ 36-179. Application process; award of grants to localities.**

81 A. To qualify for receipt of a grant from the Program, a locality shall make at least one of the following

82 changes to its zoning ordinances:

- 83 1. Allow by-right development of multifamily housing in zones designated for single-family residential use
- 84 that are within urban development areas;
- 85 2. Reduce lot size requirements or allow for the division of existing lots;
- 86 3. Allow for the construction of accessory dwelling units in single-family zones that can be legally
- 87 inhabited by individuals who are not relatives of the primary homeowner;
- 88 4. Implement or expand affordable dwelling unit policies under § 15.2-2304 or 15.2-2305;
- 89 5. Allow lower-cost home construction alternatives, such as modular, 3-D printed, pre-fabricated,
- 90 manufactured, and duplex-manufactured housing; or
- 91 6. Allow for by-right development of a greater density or intensity of multifamily housing near high-
- 92 frequency public transportation.

93 B. The Department shall establish guidelines and procedures for the award and distribution of grants

94 from the Program to localities, which shall include the following requirements:

- 95 1. The Department shall award grants from the Program for zoning activities that (i) promote mixed-
- 96 income communities; (ii) promote the development of affordable housing near public transit, employment
- 97 centers, health care facilities, schools, grocery stores, commercial centers, or other community amenities;
- 98 and (iii) do not foreseeably result in the displacement of existing affordable housing.

99 2. The Department shall give priority to applications reasonably projected, based on the methodology

100 used by the locality to determine such projection, to most significantly reduce the locality's unmet affordable

101 housing needs, to be measured by the proportion of needed housing units projected to be created by new

102 housing.

103 3. The Department shall make awards to those localities with the greatest potential to increase affordable

104 and moderately priced housing production in the locality over the next one to five years and to otherwise

105 fulfill the purposes of this chapter. If an application is denied, the locality's governing body shall be so

106 informed, together with the reasons for the denial.

107 C. Grant amounts shall be made at the sole discretion of the Department in accordance with its

108 established guidelines and procedures. Decisions of the Department regarding grant awards shall be final

109 and not subject to review or appeal.

110 **§ 36-180. Expenditure of grants by localities.**

111 In addition to any other purpose authorized by this chapter, localities may use grants awarded from the

112 Program for new construction of or improvements to any combination of the following categories: schools,

113 roads, public transportation systems, bicycle and pedestrian improvements, fire and emergency medical

114 services and other public safety facilities, libraries, parks, community centers, stormwater management

115 systems, or water and sewer line extensions , except that such grant awards shall not be used to increase

116 roadway capacity. Such localities shall report to the Department the estimated dollar amount of the grant

117 award expended in each category and the actual number of affordable housing units developed in areas

118 impacted by zoning actions for which they received grant awards on an annual basis for three years

119 following the award of a grant from the Program.

120 **§ 36-181. Sunset.**

*The provisions of this chapter shall expire on July 1, 2029.*

**2. That the Department of Housing and Community Development (the Department) shall, no later than December 31, 2026, develop the application and scoring matrix required by subdivision A 1 of § 36-177 of the Code of Virginia, as created by this act, establish guidelines to be followed by the eligible localities in submitting applications to the Zoning for Housing Production Pilot Program, and establish guidelines to be followed by the Department in receiving and evaluating applications and awarding grant funds.**

**3. That the Department of Housing and Community Development shall, no later than February 1, 2027, formally notify the eligible localities, as that term is defined in § 36-176 of the Code of Virginia, as created by this act, of the existence and purpose of the Zoning for Housing Production Pilot Program (the Program) and invite applications to be considered for Program awards.**