



Ralph S. Northam
Governor

R. Brian Ball
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

January 17, 2020

MEMORANDUM

TO: Board of Housing and Community Development Members

FROM: Kyle Flanders

SUBJECT: January 28, 2020 Board of Housing and Community Development Meeting

Enclosed is the agenda and information package for the Board of Housing and Community Development meeting to be held on Tuesday, January 28. The Housing and Community Development Committee will meet at 10:00 a.m. The committee meeting will be followed by the regular meeting of the Board.

The Board meeting will be held at DHCD offices in Downtown Richmond: 600 E Main Street, Richmond, VA 23219 (Lunch will be provided during the meeting).

Parking validation can be provided and the location of the garage is 13 N. 5th Street, Richmond, VA 23219. As a note, the 5th Street garage can be challenging for larger cars/trucks/SUVs. There is also surface parking available at points along E. Main and E. Franklin Streets.

If you will not be able to attend the Board meeting, please contact me as soon as possible. I can be reached by e-mail at kyle.flanders@dhcd.virginia.gov or by telephone at 804-786-6761. Please let me know if you have any questions or if I can be of assistance. I look forward to seeing you at the meeting.

Enclosure

**BOARD OF HOUSING AND COMMUNITY DEVELOPMENT
BOARD MEETING SCHEDULE
2020**

Attached is a schedule for Board of Housing and Community Development meetings (usually the third or fourth Monday of the month). As the Board decides during each meeting the date and time of the next meeting, some of these meeting dates may change.

2020

Tuesday, **January 28**

Monday, **March 16**

Monday, **May 11 (2nd Monday)**

Friday, **June 26**

Monday, **September 28**

Monday, **October 19 ***

Monday, **December 14***

*Tentative

AGENDA
BOARD OF HOUSING and COMMUNITY DEVELOPMENT
Housing and Community Development Committee
Tuesday, January 28, 2020
Main Street Centre
600 E. Main St., 12th Floor
Richmond, VA 23219
10:00 a.m.

- | | | |
|------|---|---------------|
| I. | OPENING | |
| | a. Call to Order | Chair |
| | b. Roll Call | Kyle Flanders |
| II. | CONSENT AGENDA | Chair |
| | o <i>Approval of Minutes</i> : September 16, 2019 | |
| III. | WITHDRAW ENTERPRISE ZONE NOIRA | DHCD Staff |
| | o <i>Action Item</i> | |
| IV. | Industrial Revitalization Fund Guidelines (IRF) | DHCD Staff |
| | o <i>Action Item</i> | |
| V. | HOUSING UPDATES | DHCD Staff |
| | o Consolidated Plan/Annual Action Plan | |
| VI. | NEW BUSINESS | Board members |
| VII. | ADJOURNMENT | Chair |

AGENDA

BOARD OF HOUSING and COMMUNITY DEVELOPMENT

Tuesday, January 28, 2020

Main Street Centre

600 E. Main St., 12th Floor

Richmond, VA 23219

Meeting to begin upon conclusion of the Housing and Community Development Committee

- | | | |
|-------|---|-----------------|
| I. | OPENING | |
| | a. Call to Order | Chairman |
| | b. Roll Call | Kyle Flanders |
| | c. Public Comment | Chairman |
| II. | CONSENT AGENDA | Chairman |
| | o <i>Approval of Minutes</i> : December 16, 2019 | |
| III. | RESOLUTION | Chairman |
| IV. | REPORT of the HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE | Committee Chair |
| | <i>Action Items</i> | |
| | o Adopt Industrial Revitalization Fund Guidelines | |
| | o Approve Enterprise Zone Withdrawal | |
| V. | HOUSING and COMMUNITY DEVELOPMENT ITEMS | DHCD Staff |
| | o Homeless Programs Update | |
| VI. | REPORTS AND INFORMATION | |
| | a. VHDA Report | Susan Dewey |
| | b. Report of the Virginia Fire Services Board | Richard Gregory |
| | c. Report of the Director | Erik Johnston |
| VII. | UNFINISHED BUSINESS | Board members |
| VIII. | NEW BUSINESS | Board members |
| IX. | BOARD MATTERS | Board members |
| X. | FUTURE BOARD MEETING DATES | Erik Johnston |
| | o March 16, 2020 (Public Hearing also) | |
| | o May 11, 2020 | |
| | o June 26, 2020 (Friday) | |
| XI. | ADJOURNMENT | Chairman |

BOARD OF HOUSING AND COMMUNITY DEVELOPMENT
Housing and Community Development Committee
2:20 P.M., September 16, 2019
Glen Allen, Virginia

Members Present

Sonny Abbasi
Mimi Elrod
Andrew Friedman
Richard Gregory
Helen Hardiman
Abby Johnson
Keith Johnson
Brett Meringoff
Earl Reynolds
Steve Semones

Members Absent

Susan Dewey

Call to Order	Ms. Helen Hardiman, Chair of the Housing and Community Development Committee, called the meeting to order at 2:20 p.m.
Roll Call	The roll was called by Mr. Kyle Flanders of the Department of Housing and Community Development's (DHCD) Policy Office. Mr. Flanders reported that a quorum was present.
Approval of Minutes	A motion was made and properly seconded to approve the minutes of the July 22, 2019, meeting of the Committee; the motion passed on a voice vote.
Enterprise Zone Regulations	Mr. Flanders gave the Committee an overview of the proposed change to the Enterprise Zone regulations to comply with state statute. He noted that the change was related to changes approved by the Board in May. A motion was made and seconded to approve the change. The motion passed on a voice vote.
Unfinished Business	There was no unfinished business to be discussed.
New Business	There was no new business to be discussed.
Adjournment	Upon a motion duly made and seconded, the meeting was adjourned.

**BOARD OF HOUSING AND COMMUNITY DEVELOPMENT
MEETING
10:45 A.M., December 16, 2019
Glen Allen, Virginia**

Members Present

Sonny Abbasi
Sean Farrell
Andrew Friedman
Richard Gregory
Helen Hardiman
Abigail Johnson
Keith Johnson
Brett Meringoff
Earl Reynolds
Jeff Sadler
Steve Semones
Patricia “Patty” Shields

Members Absent

Susan Dewey
Mimi Elrod

Call to Order

Mr. Steve Semones, Chairman of the Board of Housing and Community Development, called the meeting of the Board to order at 10:45 am.

Roll Call

The roll was called by Mr. Kyle Flanders of the Department of Housing and Community Development’s (DHCD) Policy Office. Mr. Flanders reported that a quorum was present.

Public Comment

Mr. Andrew Grigsby, representing The Virginia Renewable Energy Alliance, spoke in support of the new air duct testing regulations. However, Mr. Grigsby indicated that the new duct testing provisions do not go far enough in enhancing energy efficiency and that Virginia should fully adopt the model code as it relates to building envelope requirements.

Mr. Shaun Pharr, representing the American Office Building Association and the Virginia Apartment and Management Association spoke and expressed his support for the participation of the Fire Services in the code development process this cycle and noted an improved end product as a result of their engaged and collaborative participation.

Approval of Minutes A motion was made and properly seconded to approve the minutes of the September 16, 2019, meeting of the Board; the motion passed.

Rick Witt Presentation Mr. Semones presented Mr. Rick Witt with a letter from the Governor thanking him for his years of service and congratulating him on his retirement. Ms. Cindy Davis, Deputy Director of Building and Fire Regulation at DHCD, Mr. Erik Johnston, Director of DHCD, and Mr. Sean Farrell all spoke thanking Mr. Witt for his leadership in the Code Development process as well as his mentorship and support.

Report of the Codes and Standards Committee Mr. Sonny Abbasi, Committee Chairman, summarized the recommendations of the Codes and Standards Committee for the Board.

The standing motion of the committee was seconded by Mr. Sean Farrell to adopt proposed regulations for the Uniform Statewide Building Code. A substitute motion was made by Mr. Keith Johnson to remove regulations regarding school barricade devices and adopt the remaining regulations. Mr. Friedman seconded the amended motion. The amended motion failed on a 2-10 vote. The original motion passed on a 10-2 vote.

The standing motion of the committee was seconded by Mr. Farrell to adopt proposed regulations for the Statewide Fire Prevention Code. A substitute motion was made by Mr. Johnson to remove regulations regarding school barricade devices and adopt the remaining regulations. Mr. Friedman seconded the amended motion. The amended motion failed on a 2-10 vote. The original motion passed on an 11-1 vote.

The standing motion of the committee was seconded by Mr. Farrell to adopt regulations for the Virginia Amusement Device Regulations. The motion passed unanimously.

The standing motion of the committee was seconded by Mr. Farrell to adopt regulations for the Industrialized Building Safety Regulations. The motion passed unanimously.

The standing motion of the committee seconded by Mr. Farrell to adopt regulations for the Manufactured Home Safety Regulations. The motion passed unanimously.

The standing motion of the committee was seconded by Mr. Farrell to adopt regulations for the Virginia Certification Standards. The motion passed unanimously.

The standing motion of the committee was seconded by Mr. Farrell to adopt the code change cycle schedule. The motion passed unanimously.

The standing motion of the committee was seconded by Mr. Farrell to approve the mandatory energy training policy. The motion passed unanimously.

Board Bylaws

Mr. Flanders summarized changes to Board Bylaws to extend the term limit, in accordance with state code, for the Directory of Regulatory Compliance. He also noted a change merging the Housing and Community Development Committees. On motion properly made and seconded, the Board adopted the amended bylaws.

Housing and Community Development

DHCD Director Erik Johnston and DHCD Associate Director of Community Development Division, Rebecca Rowe, updated the Board on possible revisions to the Industrial Revitalization Fund guidelines. Staff indicated they will return to the board in January requesting final adoption after receiving input from stakeholders.

Mr. Flanders updated the Board on the Residential Executory Real Estate Contracts process for formalizing best practice guidelines for rent to own contracts. Mr. Flanders noted that a public comment period was set to begin for stakeholders. The Board conveyed that the public comment period should be longer than usual to accommodate for the General Assembly session.

Code Change Process Update

Ms. Cindy Davis, Deputy Director of Building and Fire Regulation at DHCD, summarized the code process and the status of future subworkgroup meetings.

Mr. Sadler noted that he would like to see further work done on trying to find a compromise between stakeholders on school barricade devices.

Reports and Information

Mr. Johnston reported that VHDA had added minority home ownership and public housing transformation to its list of priorities.

Mr. Gregory reported that Virginia Fire Services Board (VFSB) was proud to announce that firefighters and EMTs had accrued over one billion hours of training. Mr. Johnson also noted that Garret Dyer had been appointed as the new State Fire Marshal.

Mr. Johnston reported on a variety of recent Governor's announcements. Mr. Semones requested an overview at a future Board meeting on both veteran homelessness issues and administrative definitions regarding homelessness. Mr. Abbasi requested an overview for a future Board meeting on programs specific to the Amazon Headquarters in Northern Virginia.

Unfinished Business

There was no unfinished business to be discussed.

New Business

There was no new business to be discussed.

Board Matter

Mr. Flanders noted that conflict of interest disclosure forms would be sent via email after the first of the year.

Future Meetings

Discussion ensued regarding the 2020 meeting schedule. The Board will meet next on January 28 with additional information to be sent to finalize March and June meeting dates.

Adjournment

Upon a motion duly made and seconded, the meeting was adjourned.



Ralph S. Northam
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COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Memorandum

To: Board of Housing Community Development Members

From: Erik Johnston, DHCD Director

Subject: Industrial Revitalization Fund (IRF) Guidelines, Proposed Changes

Date: January 17, 2020

The Department of Housing and Community Development presented changes to the FY2021 program guidelines for the Industrial Revitalization Fund at the December 16, 2019 Board meeting.

The three main suggested changes to the guidelines were:

1. Increase the score weighting for distressed communities by 5 percent and consider additional distressed criteria utilizing the Commission on Local Government's criteria. The relationship to economic development strategy is recommended to be decreased by 5 percent.
2. Add to the economic impact criteria that applicants should demonstrate a commitment to ensuring IRF projects seek outreach opportunities for local developers and subcontractors and SWAM certified businesses to participate in the development. SWAM efforts will also provide bonus points for projects. Projects should also demonstrate significant private investment when the end user is a private business.
3. Additionally, DHCD proposes that an application must achieve a minimum project readiness score in order to be considered for funding. This allows granting awards to those projects that are truly catalytic for the community and construction-ready with shorter project timelines.

DHCD solicited comments and input from stakeholders on the proposed changes via targeted emails and at "How to Apply" training sessions around the state throughout January 2020. No written comments were received and there were no objections to the changes. Therefore, we recommend the board adopt all changes as proposed.

Enclosed is a copy of the updated and complete final IRF program guidelines for FY2021 for your consideration and approval.

Enclosure

INDUSTRIAL REVITALIZATION FUND (IRF)

Application Deadline: May 15, 2020 11:59PM EST

**Department of Housing and Community
Development**

**600 East Main Street, Suite 300
Richmond, VA 23219**

(804)371-7171



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

*Program
Guidelines
FY 2021*

INTRODUCTION

The base budget of \$1.5 million for Fiscal Year 2021 (FY '21) is available for the strategic redevelopment of vacant and deteriorated industrial properties across the Commonwealth. The General Assembly will finalize the total funding available in the spring of 2020. For the purposes of this program, the term “industrial” will be considered to mean any non-residential structure significant to the community due to size, location, and/or economic importance. Remnants of past economic vibrancy and local economies in transition, these structures are no longer suited for their former purpose, and in their current deteriorated condition, stand as a substantial deterrent for future economic opportunity in the surrounding area and region.

Financial barriers typically block the timely redevelopment of these structures and often require more than local resources to attract private sector investment in order to make a deal cash flow. This is especially true in distressed areas. Therefore, the allocation is meant to leverage local and private resources to achieve market-driven redevelopment of these structures, creating a catalyst for long-term employment opportunities and on-going physical and economic revitalization. Eligible properties and structures must be vacant and deteriorated and may be redeveloped for any market-driven purpose including mixed-use, regardless of the original use. For purposes of IRF, market-driven purpose is defined as guided by market trends and consumer needs based on market research where there is an actual need to be fulfilled or a market problem to solve.

Availability of Funds

The funding available in FY 2021 is a one-time allocation to replenish the Virginia Derelict Structures Fund (DSF) established under §36-152 of the Code of Virginia. The Virginia Department of Housing & Community Development administers these funds under the Industrial Revitalization Fund (IRF) Program.

Award Amounts

The maximum IRF award is \$600,000 per project; however, an applicant may apply for less. IRF awards may not be used as a substitute for other funds the applicant has already committed to a project. IRF awards require at least a 1:1 match.

ELIGIBILITY

Eligible Applicants

Only local governments (cities, counties, or towns), and regional or local economic or industrial development authorities may submit applications for funding. A unit of local government may apply directly for funding to use on publicly owned property **OR** on behalf of a for-profit or non-profit entity for privately owned property. Localities may designate a redevelopment authority or another similar organization as an agent for project implementation and administration.

Award Funding Structures

While applicants should indicate whether funds are requested as a loan or a grant, DHCD reserves the right to award funding in the manner most appropriate to the project, and to recommend alternative structures

as necessary.

DHCD will issue an **IRF GRANT** under the following conditions:

- The property is publicly owned;
- The privately owned property has an option agreement/contract in place for purchase by a local government at the time of the application; or
- The private property is owned by a not-for-profit, tax-exempt entity.
- Financing to complete the entire project as specified in the IRF application has been secured as evidenced by formal letters of interest, term sheets, or commitment letters.

In cases where the local government intends to lease the property to a private, for-profit entity, a market rate lease is required; **upon resale of the property to a private, for-profit entity, DHCD may require repayment of a prorated grant amount.**

DHCD will issue an **IRF GRANT/LOAN** under the following conditions:

- The property is owned by a private, for-profit entity and the end-use will be owned by a private, for-profit business.
- Financing to complete the entire project as specified in the IRF application has been secured as evidenced by formal letters of interest, term sheets, or commitment letters.
- IRF Grant/Loans may be funded as a grant to the applicant local government (or local Development Authority), who will in turn make a loan to the for-profit entity. The following standard terms and conditions will apply to all projects unless DHCD determines that a regionally significant project requires more favorable terms. The terms of the loan must be agreed to by DHCD.
 - Interest Rate: 2.5%
 - Amortization: 10 Years
 - Environmental Review
 - DHCD will require an executed performance agreement with the developer
- If the locality is unwilling to manage the loan, or, by DHCD's determination, unable to manage the loan, the loan may be underwritten by Virginia Community Capital (VCC). In this case, VCC will require a commitment fee of 1% (50% due within 14 days of execution of IRF loan performance agreement and the remainder at IRF closing).

All projects, regardless of award structure, must be ready to execute a contract or performance agreement for the IRF funds by **January 1, 2021**.

- Agreements may be executed simultaneously to the closing of the first trust lender for primary financing or after; however, IRF grant/loans **will not close before** all other sources of primary financing are closed or commitment letters with a closing date have been issued.
- Failure to execute the contract or performance agreement within 6 months of award may result in the IRF funds being reprogrammed to another project. The applicant will be given the opportunity to apply again once the project is more prepared for IRF loan closing.

DHCD has the discretion to offer an extension beyond six months where delays are caused by circumstances beyond the control of the developer.

All projects, regardless of award structure, will be required to have a deed covenant/restriction or a lien for a period of 10-years that requires DHCD approval prior to any sale or change in end-use for the property. In the case of a sale to private sector entity and/or a change of use during the 10-year period, DHCD may require a pro-rated repayment of the IRF funds based on the number of years of the deed restriction remaining.

Match

To demonstrate project viability and the applicant's commitment, applicants are required to provide a 100 percent (1:1) local match from private or public sources. The match must either be cash or documented costs that are directly associated with the improvements to the property where IRF funds are expended. Local match may include federal (CDBG or other), state, local, and private funds spent on activities directly related to the targeted project within the last **full** fiscal year (on or after July 1, 2019).

A locality may use documented administrative costs as up to five percent (5%) of the local match. The use of administrative costs as local match must be outlined in the application and will need to be documented through invoices or payroll records. The locality must provide a description of specific in-kind resources committed, including methods used to determine their value.

Example: *An applicant that is seeking a \$300,000 IRF grant must provide a match of at least \$300,000 (100% match). Local match in excess of \$300,000 will increase the application's score. This applicant could include up to \$15,000 in documented administrative costs in their \$300,000 match.*

IRF funds may not be used as a substitute for other funds the applicant or end-user has already committed to a project. If the project proposes a for-profit, private end-use, DHCD considers an equity investment by that entity into the IRF project as an indication of long-term commitment to the project.

Eligible Match:

- Acquisition costs - include current property appraisal as documentation of value or documentation of purchase price (HUD-1 Settlement statement, bill of sale or deed), whichever is less;
- Documented costs **directly** associated with **physical activities** on the IRF project site;
- Construction-related soft costs such as engineering, design or architectural activities (must be specifically identified in the application);
- Investments into Machinery & Tools, taxable by the locality;
- Public notices, permit or dumping fees and inspections costs (or waivers of such) directly related to physical activities (must be specifically identified in the application);
- No more than five percent (5%) local match will be accepted as in-kind or cash for out-of-pocket administrative costs.

Ineligible Match:

- State or local taxes;
- Site remediation;
- Interest or principal payments on current debt on the property;
- Investments in Business Personal/Tangible Property (Furniture, Fixtures, and Equipment).

Eligible Use of Funds

The IRF program is flexibly designed so that funds can be used for a wide variety of revitalization and redevelopment activities such as **acquisition, rehabilitation, or repair** (including securing and stabilizing for subsequent reuse) of specific structures, as well as **demolition, removal**, and other **physical activities**. Grant administration is **not** an eligible activity for IRF.

In the case of acquisition, DHCD will limit its financial participation to the property's fair market value and the associated legal costs of acquisition. Fair market value is considered to be the lesser of the property's documented acquisition costs or appraised value. IRF funds may also be used for the legal costs associated with demolition. However, funds may not be used **solely** for acquisition or demolition unless it can be demonstrated that the locality has committed other redevelopment funds to the property, and there is a market-based redevelopment plan outlining reuse options, target markets/niches, and a property marketing strategy including the entity responsible for implementation. Generally, demolition should be used only in circumstances where the size or location of a building precludes any significant redevelopment potential or in cases where there is an imminent safety threat.

Site remediation is **not** an eligible activity for IRF. Virginia's Department of Environmental Quality offers several programs to assist with remediation and environmental assessment including the Voluntary Remediation & Brownfields/Land Renewal Programs. Visit <http://www.deq.virginia.gov> for more information.

It is **not the intent** of the IRF Program to fund the relocation of existing Virginia businesses into a redeveloped structure, particularly if the relocation or expansion occurs simultaneously with the closure or significant reduction of operations in another Virginia locality. If this type of project is proposed as part of a significant expansion, the applicant must demonstrate that it is clearly part of the community or region's economic development strategy and how business relocation has a quantifiable impact on that strategy.

Eligible Properties

According to the Code of Virginia § 36-3, a "blighted property" means any individual commercial, industrial, or residential structure or improvement that endangers the public's health, safety, or welfare because the structure or improvement upon the property is dilapidated, deteriorated, or violates minimum health and safety standards, or any structure or improvement previously designated as blighted pursuant to § 36-49.1:1, under the process for determination of "spot blight."

The program is targeted toward (functionally) **vacant and deteriorated** properties whose poor condition creates a notion of physical and economic blight in the surrounding area, and often is a deterrent to surrounding development. Projects may consist of multiple properties provided they are adjacent and/or adjoining and are related in either their negative impact (e.g., three adjacent severely deteriorated downtown buildings that create a negative impact on the remainder of the block) or end use (e.g., rehabilitation of an abandoned warehouse into a shell building with purchase of adjacent property for parking.)

Eligible properties and structures may be redeveloped for any market-driven purpose including mixed-use, regardless of the original use. For purposes of IRF, mixed-use is defined as "a building incorporating residential uses in which a minimum of **30 percent of the useable floor space** will be devoted to

commercial, office, or industrial use or in which **30 percent of the projected project revenue** is derived from the commercial space.”

It is **not the intent** of the IRF Program to fund new construction or the development of greenfield properties, unless done in coordination with the redevelopment of an eligible vacant or deteriorated property.

Former Property Uses		
Eligible		Ineligible
<ul style="list-style-type: none"> • Manufacturing • Warehousing • Mining • Transportation • Power Production 	<ul style="list-style-type: none"> • Department stores • Theaters • Hotels • Shopping Centers • School Buildings 	<ul style="list-style-type: none"> • Solely residential • Scattered site projects • Greenfield sites

FUND ACCESS

In the case of **GRANTS**, a contract between DHCD and the grantee outlining end products, conditions, fund disbursement and termination must be executed **before any funds are disbursed**. Funds may only be used for **expenses incurred after the signing of the contract, unless otherwise negotiated with DHCD**. IRF grant funds are available on a **reimbursement basis only**, for costs the applicant has incurred and paid for.

In the case of **GRANT/LOANS**, IRF funding will be released as a grant to the applicant local government entity (or approved Economic Development Authority), or Virginia Community Capital, at DHCD’s sole discretion, who will then make a loan to the private developer pro-rata with other funders or once other sources are expended. This will be determined in discussion with developers upon DHCD’s award notification.

Funding Priorities

The ultimate intent of the IRF program is to fund **shovel-ready** projects that will act as a catalyst to spark additional private investment and job creation in distressed areas that have been targeted for economic development and community revitalization as part of a larger economic restructuring or economic development strategy. Based on that intent, DHCD has established the following funding priorities:

1. Clear relationship to a local or regional economic development strategy.

Applicants must identify the economic development strategy that the proposed project will support. This strategy should be an element of an existing redevelopment, blight removal, or economic development plan, and applicants should cite the specific documents that substantiate the goals of project. Applicants must explain what is currently being done in the community and how the IRF funds will accelerate and expand those economic restructuring and development activities. Additionally, the application should identify why the proposed project is being prioritized for IRF funds over other projects in the locality.

2. High degree of blight and deterioration to be addressed.

Applicants must describe the extent of the physical deterioration and identify the negative impact the property is having in the community. DHCD is seeking to invest in projects that will address the negative impact the property has on the community’s ability to attract private investment and job creation.

Applicants must demonstrate that addressing the property is a local priority, and projects that seek to repurpose a property will be given more consideration than projects that focus only on demolition/site clearance. Higher priority will be given to projects involving blight abatement and elimination, than those proposing blight prevention.

3. Project readiness.

DHCD will give higher priority to shovel-ready projects that will lead to the efficient and **immediate** redevelopment of blighted properties. [Readiness scores will be reviewed first by DHCD and a minimum score will be required to be considered for funding.](#) Projects that can demonstrate “readiness to proceed” will be given the greatest consideration. Readiness to proceed is demonstrated by having **finalized plans** and **primary financing in place** (formal letters of interest, term sheets or letters of commitment) for an identified **end-use/user**. Capacity for project implementation by the locality or developer will also be a consideration in project readiness. For applications requesting grant funding, readiness to proceed should be demonstrated by community support for the project, and the receipt of public input where appropriate. **NOTE:** Any developers, contractors, and professional services funded by an IRF grant must be procured in accordance with the [Virginia Procurement Act \(VPPA\)](#). Applicants should submit documentation to detail that procurement requirements have been met for any professional services contracted to date. Grantees will be required to submit documentation to detail that procurement requirements have been met, prior to any execution of contracts that obligate IRF funds. See the list of items that should be provided, if available, to show project readiness (Page 13).

Projects that can show the ability to close on the IRF loan or go under contract with DHCD within six months of an IRF award notification will be the most competitive for funding. DHCD reserves the right to withdraw funding should the applicant not be under contract/close the IRF loan in a reasonable amount of time. DHCD also reserves the right to withdraw funding if there are substantial or significant changes to the development team, scope of work or community economic benefit.

4. Project with a clear end use.

Successful applicants will be able to identify a tangible end-use to be completed in a reasonable amount of time, typically an 18-month timeframe. Successful projects will have executed development agreements, commitment letters from non-profit partners, operations/management agreements, leases for space, and detailed operations plans. Projects that have speculative or undetermined end uses will be considered a lower priority. If the application proposes a non-profit end use, the applicant or end user must demonstrate long-term sustainability by providing a 10-year operating pro forma and other documentation of financial solvency.

5. End use will have a clear and significant community economic impact.

Applicants must describe how the project will have a clear positive impact on the community. [This includes both the economic impact of the construction process and the end use. Applicants should demonstrate a commitment to ensuring IRF projects seek outreach opportunities for local developers and subcontractors and SWAM certified businesses to participate in the development. Projects should also demonstrate significant private investment when the end user is a private business.](#) Applicants must demonstrate how the completion of the IRF project will be a catalyst to larger economic revitalization efforts in the locality and region and will spark additional investment in the surrounding area. Applicants should include quantified expectations for primary impact (such as net new jobs, new businesses, and leveraged private investment) and any secondary impact (such as increased local sales, meals, or lodging tax revenue, increased export or non-export (tourism) revenues, increased daily

and/or overnight visitors, and availability of commercial square footage.) In addition, applicants should describe how the project may be catalytic to the community in non-economic terms (such as access to services or resources, workforce development, and quality of life improvements). Projects that show significant community economic impact will be given higher priority; whereas projects with a public sector end-use will be lower priority. For IRF purposes, a full-time equivalent job is defined as employment of, at a minimum, 35 hours per week. Existing employees or unpaid volunteer positions should not be included in job creation projections and will not be considered in application scoring.

6. High Economic Distress in project locality.

Extra consideration will be given to projects located in communities that are experiencing higher degrees of distress. However, it is not intended to compensate for poorly conceived projects that do not score well on the other funding priorities. Distress will be based on three measures below, using data from the U.S. Census Bureau and the Virginia Employment Commission. Scoring will be weighted based on the number of distress measures the locality is experiencing.

- a. **Poverty rate** of at least 150 percent of the state average (16.5%);
- b. **Median household income** of 70 percent of the state average (\$46,304); and
- c. **Unemployment rate** of at least 150 percent of the state average (5.1%)

See Appendix A for pre-calculated scores for all cities and counties. Towns may use the distress score of the county, or they may calculate their own based on the town's Census tracts, whichever method provides the higher distress score. Guidance on where to find the necessary data is provided on page 16 of the IRF Application Instruction Manual.

Other Considerations

DHCD encourages localities to apply for projects that will have a strong significance to the broader community and region, in areas of ongoing or identified redevelopment/revitalization. Applicants will receive **bonus points** for projects that meet the following characteristics:

- Part of a significant **regional focus**. This includes projects located in an area covered by a revenue sharing agreement or projects cited in a formal regional economic development plan.
- Eligibility for local real property tax abatements (§58.1-3221) or other **local incentives** to encourage investment.
- Location in an **Enterprise Zone** and ability to qualify for the state and local incentives. **IRF loans** may be included in the Enterprise Zone Real Property Investment Grant schedule of Qualified Real Property investments, while **IRF grants** must be excluded.
- Location in a designated **Virginia Main Street** community, [an Opportunity Zone](#), a local, state or federal **historic district**, a **redevelopment or blight removal district**, a **Technology Zone**; or other similar district.
- Location in a current **CDBG project area**.
- Committed project leverage exceeds 1:1 match.
- [Commitment to including SWAM certified contractors/sub-contractors through solicitation during the bidding and procurement process.](#)

Prioritization

A locality may only submit one application per funding round; therefore, localities must identify and authorize the project that will have the most meaningful impact on local community revitalization and economic development efforts. As such, a resolution from the local governing body authorizing the request for funding is an application requirement. If the locality is applying on behalf of a non-profit or private for-profit, the resolution should indicate the specific match amount and identify the entity that will be responsible for providing the matching funds.

SUBMISSION REQUIREMENTS

Applications for IRF funding must be submitted through DHCD’s Centralized Application Management System (CAMS). You can access CAMS using the following link:

<https://dmz1.dhcd.virginia.gov/camsportal/Login.aspx>

SCORING

Funds will be allocated through a competitive process that will give greater priority to projects leading to the efficient and immediate redevelopment and/or reuse of abandoned “industrial” structures. Applications will be evaluated according to a scoring system and projects will be selected for funding on the basis of the higher scores in descending order until all funds are allocated. Scoring criteria and point allocation will be as follows:

Relationship to Economic Development Strategy	105%
Readiness	30%
End Use Plans	15%
Economic Impact	25%
Distress	150%
Match	5%
TOTAL	100%

A strong application will be able to document that the project is **ready-to-go, but could not be finished without the injection of the IRF funds.**

PERFORMANCE AGREEMENTS & CONTRACTUAL OBLIGATIONS

Successful applicants will be **required to sign a contract/performance agreement** committing them to the economic outcomes, property use, fund use and match outlined in approved application and any pre-contract/performance agreement negotiations.

All applications, contracts and performance agreements are subject to negotiation with DHCD. All projects will be required to have a deed covenant/restriction or a lien for a period of 10-years that requires DHCD approval prior to any sale or change in end-use for the property. In the case of a sale to private sector entity and/or a change of use during the 10-year period, DHCD may require a pro-rated repayment of the IRF funds based on the number of years of the deed restriction remaining.

All approved projects will be committed to a project completion date of 18 months from contract execution/loan closing, by which all activities must be completed and drawdown requests/loan disbursements submitted to DHCD/VCC. Any project that receives funding and does not use all of its designated funds by the project completion date specified in its contract/loan award may lose the remaining fund balance.

SUBSTANTIAL PROJECT CHANGES AFTER APPLICATION SUBMITTAL

DHCD reserves the right to rescind the funding offer if substantial changes to the project scope and/or financing needs occur after application submittal. DHCD will be concerned of the impact of such on project cash flow, project timing, need for IRF funding, intent of the IRF program, and projected outcomes as outlined in the original application. To maintain consideration for IRF funding, substantial changes to project scope and/or budget will require applicants to provide DHCD with an updated description of the project.

CONTACT

For more information on the IRF program please contact:



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COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

January 17, 2020

Memorandum

To: Board of Housing and Community Development Members

From: Erik C. Johnston, Director

RE: Enterprise Zone NOIRA Withdrawal

On September 28, 2009 the Board of Housing and Community took action to submit a Notice of Intended Regulatory Action (NOIRA) regarding certain proposed changes to be considered for the Enterprise Zone Program. Since that time, there have been numerous legislative changes and a Periodic Review conducted. The initial NOIRA and the related Town Hall action are no longer necessary.

Staff requests the Board take action to withdrawal the 2009 NOIRA and its related Town Hall action.

Partners for Better Communities



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