

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Ohio Housing Finance Agency**

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# Ohio Housing Finance Agency

- The budget appropriates \$8.6 million in each fiscal year
- Appropriations are for payroll only
- The budget creates the Grants for Grads Program

## OVERVIEW

### Agency Overview

The mission of the Ohio Housing Finance Agency (OHFA) is to offer affordable housing opportunities by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects. The agency's programs are made possible through coordination with private industry and local communities, and are supported primarily by revenues raised through the issuance, private sale, and repayment of mortgage revenue bonds, as well as contract fees received from the U.S. Department of Housing and Urban Development (HUD) for the administration of housing assistance payments. The agency receives no support from the GRF. OHFA is overseen by an 11-member board consisting of the directors of Commerce and Development or their designees and nine compensated public members appointed by the Governor. As of July, 2009, the agency had 117 full-time employees.

### Appropriation Overview

| Table 1. Appropriations by Fund Group, FY 2010-FY 2011 |                    |                    |                              |                    |                              |
|--|--------------------|--------------------|------------------------------|--------------------|------------------------------|
| Fund Group   | FY 2009            | FY 2010            | % change,<br>FY 2009-FY 2010 | FY 2011            | % change,<br>FY 2010-FY 2011 |
| Agency Fund Group                                      | \$9,408,208        | \$8,614,627        | -8.4%                        | \$8,614,627        | 0.0%                         |
| <b>TOTAL</b>   | <b>\$9,408,208</b> | <b>\$8,614,627</b> | <b>-8.4%</b>                 | <b>\$8,614,627</b> | <b>0.0%</b>                  |

\*FY 2009 figures represent actual expenditures.

All OHFA appropriations are made from the Ohio Housing Finance Agency Operating Expenses Fund (Fund 5AZ0). Revenues to the fund are primarily generated from program fees, administrative fees, and loan application, reservation, and servicing fees. These appropriations cover payroll and fringe benefit expenses only. Other agency operating expenses, such as equipment costs and rental payments, and all housing loans and program subsidy expenditures are not reflected in OHFA's budget, but are supported through other nonappropriated agency accounts. H.B. 1 appropriated \$8.6 million in each fiscal year for OHFA's payroll, a decrease of 8.4% from actual FY 2009 expenditures of \$9.4 million.

## Ohio Housing Trust Fund

The Ohio Housing Trust Fund (OHTF) is administered by the Ohio Department of Development (ODOD) and funded through county recordation fees. OHFA receives dollars from this fund for a portion of its administrative costs and for the Housing Development Assistance Program (HDAP), which provides financing for eligible housing projects to expand, improve, and preserve the supply of quality, low-cost housing for low- and moderate-income renters. OHTF moneys support projects that serve households with incomes less than 50% of the median income of the project area, with a preference given to projects serving those with incomes less than 35% of the median per HUD guidelines.

Under H.B. 1, OHTF receives appropriations of \$53 million in each fiscal year through ODOD. OHFA is expecting that any allocation of OHTF funds it receives from ODOD in the new biennium will be less than the \$20.0 million it received in FY 2008 and intends to cover some or all of the difference with expected additional federal HOME funds also provided through ODOD under the American Recovery and Reinvestment Act and appropriated in H.B. 2, the transportation budget act.

## Major Initiatives

### Grants for Grads Program

H.B. 1 creates the Grants for Grads Program, which is intended to provide down payment assistance to graduates who earn degrees from an Ohio college or university and purchase a first home in Ohio with the intention to live and work in the state for at least five years. The program also requires OHFA to offer recipients of down payment assistance reduced rates on mortgages under OHFA's First-Time Homebuyer Program. The act does not specify the source of down payment assistance funds under the Grants for Grads Program, but awards would presumably be paid out of the proceeds from OHFA's mortgage revenue bonds similar to the agency's other homeownership programs. OHFA would be required to place a lien on the home purchased under the program, which would be enforced for the purpose of recapturing awards from recipients who do not stay in their homes for five years or who fail to comply with the requirements of the program.

### Core Programs

OHFA's payroll appropriation supports staff for the agency's core services of single-family homeownership assistance and multifamily housing development support. In the area of homeownership, activities include providing low-interest mortgages, down payment assistance, and rescue loans to households that are falling behind on mortgage payments and are at risk of foreclosure. Additional activities include foreclosure counseling and other community outreach services to provide preventive assistance against foreclosures.

For its multifamily housing development programs, OHFA's staff administers federal Low-Income Housing Tax Credits, which are allocated to states through a formula based on population. These tax credits are awarded to developers of low-income housing and then sold to investors to raise capital for the projects. Ohio has received an allocation of \$25.6 million in Low-Income Housing Tax Credits in calendar year (CY) 2009.

## ANALYSIS OF ENACTED BUDGET

### Introduction

Appropriations made in the main operating budget fund only payroll and fringe benefits for OHFA's staff. The agency's employees work in three program areas as well as program support offices to provide affordable housing assistance and services to qualifying Ohioans.

| Appropriations for the Ohio Housing Finance Agency |              |  |                    |                    |
|--|--------------|--|--------------------|--------------------|
| Fund   | ALI and Name |  | FY 2010            | FY 2011            |
| <b>Agency Fund Group</b>                           |              |  |                    |                    |
| 5AZ0   | 997601       | Housing Finance Agency Personal Services | \$8,614,627        | \$8,614,627        |
| <b>Total Funding: Ohio Housing Finance Agency</b>  |              |  | <b>\$8,614,627</b> | <b>\$8,614,627</b> |

### Housing Finance Agency Personal Services (997601)

This line item covers the costs of payroll and fringe benefits for the staff of the Ohio Housing Finance Agency. These costs are spread across three program areas and the agency's program support offices. H.B. 1 appropriates approximately \$8.6 million in each fiscal year. This amount is approximately 8.4% below actual FY 2009 spending of \$9.4 million.

#### Homeownership

OHFA's Homeownership Office is responsible for managing programs that provide homeownership opportunities to low- and moderate-income Ohioans, including the First-Time Homebuyer Program, which offers low-interest, fixed-rate mortgages to qualifying buyers through partnerships with over 160 Ohio financial institutions. These loans may be supplemented with down payment assistance grants. The Office will also administer the Grants for Grads Program created in H.B. 1. Other services include the Ohio Heroes Program, which assists teachers, active and retired military personnel, first responders, and health care workers in obtaining a reduced fixed-rate mortgage. The loans and down payment assistance grants under the agency's homeownership programs rely on the proceeds of housing revenue bonds issued by OHFA. OHFA estimates that it could issue up to \$300 million in mortgage revenue bonds in CY 2009 and \$500 million in CY 2010 to finance these programs; however, the issuance of these bonds is greatly dependent upon volatile market conditions.

The Homeownership Office also provides services such as homeownership counseling, foreclosure mitigation counseling, rescue loans, and Target Area Loans to homebuyers in distressed areas of the state. The Office also runs the Mortgage Credit

Certificate Program, which offers tax credits to qualifying first-time homebuyers based on the amount of mortgage interest that must be paid. OHFA expects to assist up to 1,000 potential homebuyers with mortgage credit certificates in the FY 2010-FY 2011 biennium.

### **Planning, Preservation, and Development**

The Office of Planning, Preservation, and Development is charged with increasing the number of affordable multifamily rental housing units in Ohio through a variety of funding sources including tax credits, tax-exempt bond revenue, federal HOME Investment Partnership funds from the U.S. Department of Housing and Urban Development (HUD), the Ohio Housing Trust Fund, and other sources. Programs in the Office of Planning, Preservation, and Development include the Community Housing Development Organization grant program, funded by federal HOME dollars, and the Housing Development Assistance Program, which is funded by Ohio Housing Trust Fund dollars. HOME funds and OHTF funds are both transferred to OHFA via the Ohio Department of Development. The Office also makes the federal Housing Tax Credit available to developers who develop properties containing affordable units.

### **Program Compliance**

OHFA's Program Compliance Office is responsible for monitoring properties under various state and federal housing regulations, including units under the Housing Tax Credit program, Housing Development Assistance Program, multifamily bond-financed units, and HUD Section 8 projects. Program Compliance Office staff are organized into teams based on regions in order to provide more effective service based on the needs of constituents.

### **Program Support**

Program Support encompasses OHFA's central administrative and program management functions. These consist of the Director's Office, the Office of Administration, the Office of Information Technology, the Office of Communications and Marketing, the Legal Office, the Office of Internal Audit, and the Office of Finance. The Office of Finance has the largest staff out of all Program Support offices and is responsible for monitoring the agency's outstanding bonds, managing relationships with lending institutions, and servicing loans.

## APPENDIX: CONTROLLING BOARD APPROPRIATION INCREASE

On July 27, 2009, the Controlling Board approved an OHFA request to increase the appropriation in line item 997601, Housing Finance Agency Personal Services, by about \$1.6 million in FY 2010 and \$1.8 million in FY 2011. According to OHFA's request, this will allow the agency to maintain staffing and program service levels as well as administer federal stimulus funds under H.B. 2. As OHFA is a non-GRF agency, funds for the appropriation increase derive from money already within the agency's control, such as commitment fees, loan repayments, and other sources. The following table shows the amount of the increase in each fiscal year.

| <b>Appropriation Increase for Line Item 997601, Housing Finance Agency Personal Services</b> |                             |                      |   |                             |                      |
|--|-----------------------------|----------------------|---|-----------------------------|----------------------|
| <b>FY 2010<br/>Appropriation<br/>(H.B. 1)</b>  | <b>FY 2010<br/>Increase</b> | <b>FY 2010 Total</b> | <b>FY 2011<br/>Appropriation<br/>(H.B. 1)</b> | <b>FY 2011<br/>Increase</b> | <b>FY 2011 Total</b> |
| \$8,614,627  | \$1,572,086                 | <b>\$10,186,713</b>  | \$8,614,627                                   | \$1,771,799                 | <b>\$10,386,426</b>  |

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

| <i>Line Item Detail by Agency</i>                     |        |  | <i>FY 2008</i>          | <i>FY 2009</i>      | <i>FY 2010<br/>Appropriations</i> | <i>% Change<br/>FY09 - FY10</i> | <i>FY 2011<br/>Appropriations</i> | <i>% Change<br/>FY10 - FY11</i> |
|---|--------|--|-------------------------|---------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Report For: Main Operating Appropriations Bill</b> |        |  | <b>Version: Enacted</b> |                     |                                   |                                 |                                   |                                 |
| <b>HFA Ohio Housing Finance Agency</b>                |        |  |                         |                     |                                   |                                 |                                   |                                 |
| 5AZ0  | 997601 | Housing Finance Agency Personal Services | \$ 8,614,627            | \$ 9,408,208        | \$ 8,614,627                      | -8.43%                          | \$ 8,614,627                      | 0.00%                           |
| <b>Agency Fund Group Total</b>                        |        |  | <b>\$ 8,614,627</b>     | <b>\$ 9,408,208</b> | <b>\$ 8,614,627</b>               | <b>-8.43%</b>                   | <b>\$ 8,614,627</b>               | <b>0.00%</b>                    |
| <b>Ohio Housing Finance Agency Total</b>              |        |  | <b>\$ 8,614,627</b>     | <b>\$ 9,408,208</b> | <b>\$ 8,614,627</b>               | <b>-8.43%</b>                   | <b>\$ 8,614,627</b>               | <b>0.00%</b>                    |