

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Housing Finance Agency

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# LBO Redbook

## Ohio Housing Finance Agency

### Quick look...

- The Ohio Housing Finance Agency (OHFA) oversees affordable housing opportunities by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects.
- OHFA is governed by an 11-member board consisting of the directors of the Department of Commerce and Development Services Agency and nine members appointed by the Governor. The agency employs a staff of 126.
- The executive budget recommendations total \$25.1 million over the biennium.
  - Only OHFA's payroll is subject to legislative appropriation. These costs are funded by program, administrative, and loan application, reservation, and servicing fees generated related to OHFA's programs.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
<b>Fund 5AZ0 ALI 997601, Housing Finance Agency Personal Services</b>					
\$10,403,588	\$11,107,182	\$11,799,323	\$11,908,576	\$12,267,196	\$12,819,657
% change	6.8%	6.2%	0.0%	3.0%	4.5%

### Agency overview

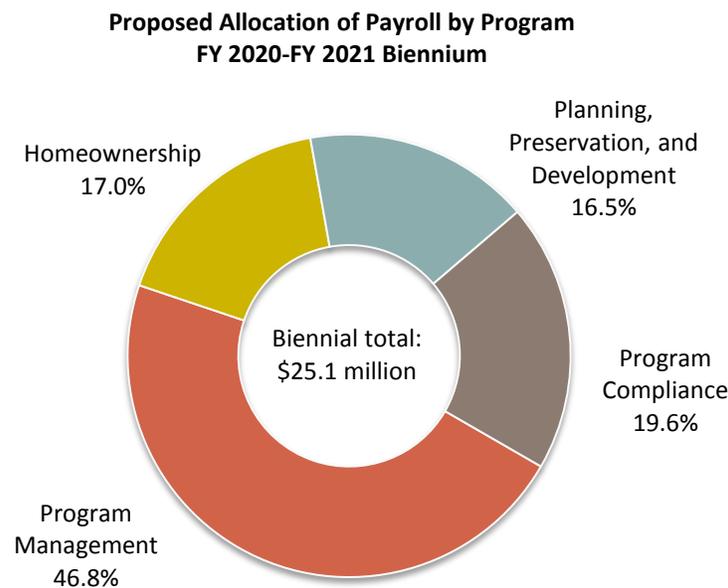
OHFA facilitates financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects in coordination with private industry and local communities. The housing programs are primarily funded by revenues from the issuance, private sale, and repayment of mortgage revenue bonds, as well as federal funds from the U.S. Department of the Treasury as part of the federal Hardest-Hit Fund initiative and the Department of Housing and Urban Development (HUD) under the HOME Investment Partnership Program. OHFA operates various housing programs under three discrete program offices: Office of Homeownership; Office of Planning, Preservation, and Development; and Office of Program Compliance. In addition to these offices, there is a Program Management Office that provides administrative and operation support for the entire agency.

### Analysis of FY 2020-FY 2021 budget proposal

The recommended funding for OHFA covers only payroll costs of the agency's 126 employees and does not include funding for the various low- and moderate-income housing assistance programs overseen by the agency. These various housing assistance programs are supported by funding sources not subject to appropriation by the General Assembly. The revenue to support the payroll funding that is appropriated in the main operating budget bill is

derived from program fees, administrative fees, and loan application, reservation, and servicing fees generated by OHFA programs. These revenues are deposited into the Ohio Housing Finance Agency Operating Expenses Fund (Fund 5AZ0). As the table above shows, the budget provides \$12.3 million in FY 2020 and \$12.8 million in FY 2021.

The chart below illustrates how OHFA's payroll appropriations would be allocated between program and program management functions. Overall, the program management payroll makes up 46.8% of budgeted amounts. A further 19.6% is allocated to payroll for program compliance staff, 17.0% for homeownership programs, and the remaining 16.5% for planning, preservation, and development.



## Homeownership

The 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 100 Ohio financial institutions. These loans may be supplemented with down payment assistance grants. OHFA offers programs targeted to specific populations, such as the Ohio Heroes Program, which offers reduced fixed-rate mortgages for teachers, active and retired military personnel, first responders, and health care workers, and the Grants for Grads Program, which offers down payment assistance to eligible college graduates. The loans and down payment assistance grants under the First-Time Homebuyer Program rely on the proceeds of housing revenue bonds issued by OHFA. 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. Additionally, the Office administers the state's share of the federal Hardest Hit Fund (HHF), which provides financial assistance on behalf of homeowners at risk of foreclosure and reimbursements to county land banks to facilitate demolition of blighted and abandoned homes. Lastly, 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.

In FY 2018, OHFA funded 3,383 First-Time Homebuyer loans, approved 566 homebuyer loans under the Ohio Heroes Program and 252 under the Grants for Grads Program, issued 1,661 Mortgage Tax Credits, and provided financial assistance on behalf of 1,340 homeowners to their mortgage servicers or lenders to prevent foreclosure through the HHF-funded Save the Dream Ohio Program. Since 2010, the Save the Dream Ohio Program has provided assistance on behalf of nearly 27,000 homeowners.

## **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 HUD, the Ohio Housing Trust Fund (OHTF), and other sources. Programs in the Office include the Community Housing Development Organization grant program, funded by federal HOME dollars, and the Housing Development Assistance Program, which is funded by OHTF dollars. HOME funds and OHTF funds are both transferred to OHFA via the Ohio Development Services Agency. Additionally, the Office collaborates with other state agencies to administer the Ohio 811 Project Rental Assistance to provide rental subsidies to extremely low-income, nonelderly individuals with disabilities while also making available appropriate supports and services under the Ohio Medicaid Plan. The Office also makes the federal Housing Tax Credit available to developers who develop properties containing affordable units. In FY 2018, it financed the construction or preservation of 4,237 units of affordable rental housing for low-income households. The number of funded units is nearly split between new construction (2,114 units) and existing units that will be updated and rehabilitated (2,123 units).

## **Program compliance**

The Program Compliance Office is comprised of two separate offices: the Office of Multifamily Investments and the Training Office. The Office of Multifamily Investments is responsible for overseeing compliance under various state and federal housing regulations, including units under the Housing Tax Credit Program, Housing Development Assistance Program, and multifamily bond-financed units. The Training Office provides training and technical assistance that assist staff and industry partners to enhance compliance efforts throughout the state regarding state and federal regulations and policies. In FY 2018, the Training Office monitored over 1,500 projects consisting of nearly 103,000 units. In addition, it performed inspections on 372 properties receiving Housing Tax Credits and Housing Development Assistance Program funds.

## **Program management**

Program management encompasses OHFA's central administrative and program management functions, currently consisting of 60 employees. The seven sub-offices within this area include: (1) Executive Director, (2) Administration (human resources and facilities), (3) Finance, (4) Legal, (5) Communications and Marketing, (6) Information Technology, and

(7) Internal Audit. Of these, the Office of Finance has the largest staff. It is responsible for monitoring the agency's outstanding bonds, managing relationships with lending institutions, and servicing loans.

## **Housing programs**

### **Federal Hardest-Hit Fund – Save the Dream Ohio**

Since 2010, Ohio has been awarded a total of \$762.3 million under the U.S. Treasury's HHF, an extension of the Troubled Asset Relief Program. The HHF provides emergency funding for housing finance agencies in states that encountered high levels of economic distress as a result of the economic downturn. Specifically, Ohio's HHF funding is used to engage struggling homeowners in housing counseling and to take steps to prevent foreclosure under an effort referred to as Save the Dream Ohio. The initiative is overseen by OHFA's Office of Homeownership. Under the program, OHFA works with HUD-approved housing counseling agencies in assisting homeowners who owe more in mortgage payments than their property is worth, or are in financial hardship as a result of unemployment, underemployment, or other economic conditions. Housing counselors help homeowners develop "Homeowner Action Plans" with the goal of averting foreclosure through (1) mortgage payment assistance, (2) loan modifications, (3) lien assistance, and (4) transitional assistance for homeowners who are unable to remain in their homes.

Overall, of the \$762.3 million available, so far approximately \$587.4 million has been disbursed or reserved for disbursement on behalf of approximately 27,000 homeowners. OHFA anticipates that all the remaining funds will be allocated over the next two fiscal years. The money will be used to demolish 15,000 vacant properties and assist 2,500 households to remain in their homes.

### **Ohio 811 Rental Assistance Program**

In FY 2016, OHFA received approximately \$12.0 million in federal funds from HUD to provide rental assistance for 485 extremely low-income, nonelderly individuals with disabilities over a five-year period. Under the Ohio 811 Rental Assistance Program, OHFA and the Ohio Department of Medicaid (MCD), Ohio Department of Developmental Disabilities (DDD), and the Ohio Department of Mental Health and Addiction Services (MHA), will place eligible residents into independent housing with supportive services under the Ohio Medicaid Plan. OHFA administers rental subsidies and manages the waitlist while MCD, DDD, and MHA provide outreach and marketing of the program. Rental subsidies are used to designate 811 units in new and existing multifamily housing units that receive any funding from OHFA, particularly funding from the federal Low-Income Housing Tax Credit Program. At the end of FY 2018, the program had 319 committed units and 12 with an executed rental assistance contract. The goal of the program is to have 485 units by 2023.

### **Ohio Housing Trust Fund allocations**

The Ohio Housing Trust Fund is administered by the Ohio Development Services Agency (ODSA) and funded through county recordation fees. While OHFA does not receive direct OHTF funding in the executive proposal, it receives an allocation from the fund each year that is transferred from ODSA for the Housing Development Assistance Program, which provides

funding for eligible housing projects to expand, improve, and preserve the supply of quality, low-cost housing for low- and moderate-income renters. OHTF moneys fund 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. According to OHFA's Annual Report for FY 2018, OHFA used approximately \$13.2 million from OHTF to facilitate the construction or preservation of 1,187 affordable housing units in that fiscal year.