

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Housing Finance Agency

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TABLE OF CONTENTS

Quick look	1
Agency overview	1
Analysis of FY 2022-FY 2023 budget proposal	1
Program management	2
Program compliance	2
Planning, preservation, and development	3
Homeownership.....	3
Housing programs.....	4
New programs.....	4
Winding down of the federal Hardest-Hit Fund	4
Ohio 811 Rental Assistance Program	5
Ohio Housing Trust Fund allocations	5

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 127 as of February 2021.
- The executive budget recommendations total \$26.8 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 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 5AZ0 ALI 997601, Housing Finance Agency Personal Services					
\$11,799,323	\$11,874,426	\$12,218,390	\$13,190,208	\$13,258,659	\$13,491,862
% change	0.6%	2.9%	8.0%	0.5%	1.8%

Agency overview

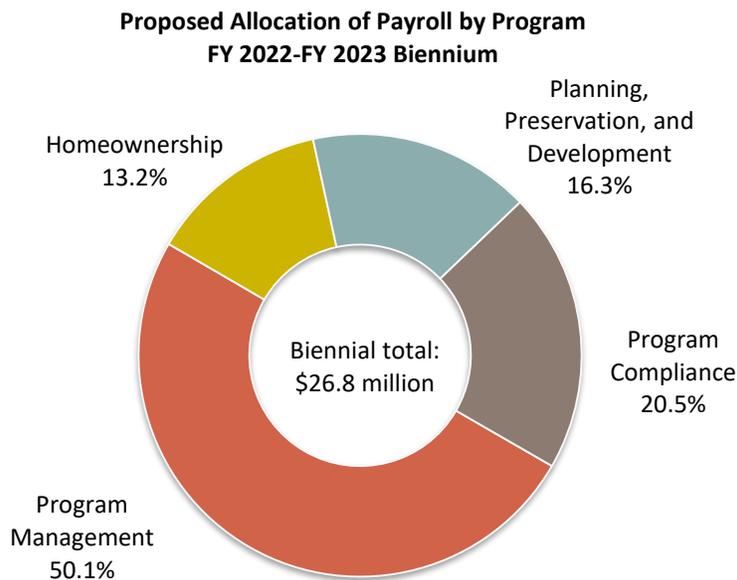
The Ohio Housing Finance Agency (OHFA) facilitates financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects in coordination with private industry and local communities. The housing programs are primarily funded by revenues 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 program offices: Office of Homeownership; Office of Planning, Preservation, and Development; and Office of Program Compliance. In addition, there is a Program Management Office that provides administrative and operation support for the entire agency.

Analysis of FY 2022-FY 2023 budget proposal

Proposed funding for the agency is \$13.3 million in FY 2022 and \$13.5 million in FY 2023. The funding under the executive budget covers only payroll costs for the agency's 127 employees. It 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 appropriated in the main operating budget bill is derived from program fees, administrative fees, and loan application, reservation, and servicing fees generated by the various OHFA programs. These revenues are deposited into the Ohio Housing Finance Agency Operating Expenses Fund (Fund 5A20).

The chart below illustrates how OHFA’s payroll appropriations would be allocated between program management functions. Overall, the program management payroll makes up about \$13.4 million (50.1%) of budgeted amounts. About \$5.5 million (20.5%) goes to payroll for program compliance staff. About \$4.4 million (16.3%) is for planning, preservation, and development, and the remaining \$3.5 million (13.2%) is slated for homeownership.



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.

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 2020, the Training Office monitored over 500 projects consisting of nearly 110,000 units. In addition, it performed inspections on 397 properties receiving Housing Tax Credits.

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 2020, it financed 69 affordable rental housing projects consisting of 7,000 housing units and benefiting approximately 18,900 low-income households.

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 more than 140 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 2020, OHFA funded 3,474 First-Time Homebuyer loans, approved 586 homebuyer loans under the Ohio Heroes Program and 166 under the Grants for Grads Program, issued approximately 1,100 Mortgage Tax Credits, and removed 3,113 blighted structures through the HHF-funded Neighborhood Initiative Program. Since 2010, the Neighborhood Initiative Program has provided financial assistance to remove 17,210 blighted structures.

Housing programs

New programs

The Office of Multifamily Housing within OHFA will administer two new programs in the FY 2022-FY 2023 biennium. The first is the Federal Housing Administration (FHA) Risk Share Program that will allow OHFA to provide low-interest construction and permanent loans to further the construction and development of more affordable housing units in the state. OHFA anticipates issuing between \$20.0 million to \$30.0 million in tax-exempt bonds per year for this purpose. OHFA received approval from the Federal Housing Administration to become an FHA Risk Share Lender in July 2020.

Under the second program, OHFA, in conjunction with the Development Services Agency (DSA), will administer and allocate funds for new construction and rehabilitation of affordable multifamily housing in areas impacted by tornadoes and extreme weather in the fall of 2019. DSA will receive \$10.5 million in relief funding directly from HUD's Community Development Block Grant Disaster Relief funds to support relief efforts. DSA will then allocate OHFA a portion of the funds to be used specifically for multifamily construction and rehabilitation. OHFA anticipates that developers or public authorities can apply for funding beginning in the second or third quarter of FY 2022. The maximum award amount per project is \$3.0 million.

Winding down of the federal Hardest-Hit Fund

Since 2010, Ohio has been awarded a total of \$762.8 million under the U.S. Treasury's Hardest-Hit Fund (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 for two preservation programs: Save the Dream Ohio (SDO) and Neighborhood Initiative Program (NIP). The initiatives are overseen by OHFA's Office of Homeownership.

Under the SDO Program, OHFA engages struggling homeowners in housing counseling and to take steps to prevent foreclosure. It 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. Under the NIP, OHFA provides assistance to stabilize property values by removing and greening vacant and blighted property in targeted areas in order to prevent future foreclosures for neighboring homeowners. Funds are awarded to local land banks.

Of the \$762.8 million available, approximately \$700.5 million has been disbursed or reserved for disbursement on behalf of approximately 27,000 homeowners and the removal of over 17,000 structures. OHFA anticipates that all the remaining funds will be allocated under the NIP by the end of July 2021.

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. Additionally, OHFA received a further \$6.9 million in federal funds from HUD in FY 2021 to provide rental assistance for 250 more extremely low-income, nonelderly individuals with disabilities. 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 2020, the program had 496 committed units and 171 with an executed rental assistance contract, exceeding the goal to have 485 units by 2023.

Ohio Housing Trust Fund allocations

The Ohio Housing Trust Fund (OHTF) is administered by DSA and funded through county recordation fees. While OHFA does not receive direct OHTF funding in the executive proposal, it receives an allocation each year that is transferred from DSA for the Housing Development Assistance Program. The program 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. In FY 2020, OHFA used approximately \$12.8 million from OHTF to facilitate the construction or preservation of 1,043 affordable housing units across 15 projects in that fiscal year.