

Ohio Housing Finance Agency

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- Legislation establishing OHFA as an independent agency became effective July 1, 2005
- Funding of \$8.1 million each fiscal year is appropriated for payroll expenses only

OVERVIEW

Duties and Responsibilities

The Ohio Housing Finance Agency (OHFA) was established in 1983 as an agency within the Department of Development. Under Am. Sub. H.B. 431 of the 125th General Assembly, the Ohio Housing Finance Agency was established as an independent state agency.

The Ohio Housing Finance Agency offers affordable housing opportunities for Ohioans by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family housing and multifamily rental housing projects for low- and moderate-income individuals and families. The Agency's programs serve first-time homebuyers, renters, senior citizens, and other populations with special needs who otherwise might not be able to afford quality housing. 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 tax-exempt 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 general revenue funding.

OHFA is governed by an eleven-member Board that consists of the Directors of the Departments of Commerce and Development, who serve as ex-officio members, and nine public members. The public members are appointed by the Governor for six-year terms and represent various housing sectors and the public.

The Agency administers its housing programs through five offices: Administration; Finance; Homeownership; Planning, Preservation, and Development; and Program Compliance. Funding for the Agency totals \$8.1 million in each of FYs 2006 and 2007, appropriations that support payroll and fringe benefit expenses only. Other agency operating expenses, such as equipment costs and rental payments, and all program subsidy expenditures are not reflected in OHFA's budget, but are supported through other Agency accounts.

Agency in Brief

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Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
104	\$8.1 million	\$8.1 million	\$0	\$0	Am. Sub. H.B. 66

*Employee count obtained from the Ohio Housing Finance Agency as of September 30, 2005.

Am. Sub. H.B. 431

Under the provisions of Am. Sub. H.B. 431 of the 125th General Assembly and Am. Sub. H.B. 66 of the 126th General Assembly, two funds within the Department of Development's budget that formerly supported operating costs for OHFA were eliminated. These were (FED) Fund 380,¹¹ Housing Development Operating, and (SSR) Fund 445,¹² Housing Finance Operating. All remaining cash balances in these funds at the end of FY 2005 were transferred to OHFA's newly established operating fund, (GSF) Fund 5AZ, Housing Finance Agency Personal Services. The Low- and Moderate-Income Housing Trust Fund (Fund 646), which provides grants and loans for qualifying housing projects serving low- and moderate-income persons, continues to be administered by the Department of Development, and OHFA continues to receive an allocation of moneys from this fund.

Housing Trust Fund

The Low- and Moderate-Income Housing Trust Fund (Housing Trust Fund, or HTF) subsidizes very low- to moderate-income persons by providing low-interest loans and some grants. Most of the programs provide loans for down payment assistance or rental housing development and grants for preservation projects. Eligible recipients for trust fund moneys vary by program, but include low-income homebuyers, developers, resident homeowners, and landlords. Income guidelines for HTF moneys require 75% of moneys be used for households with 50% of the median area income.

Under Am. Sub. H.B. 95 of the 125th General Assembly, the revenue source for the Housing Trust Fund shifted from the General Revenue Fund to county recordation fees. In addition to several OHFA programs, a portion of the HTF provides support to programs and activities of the Community Development Division at the Department of Development.

¹¹ Fund 380 supports Section 8 contract administration personnel and the OHFA Development Loan Program.

¹² Fund 445 supports administration of OHFA's single family program and housing credit program.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Housing Finance Agency is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1

Affordable Housing

Purpose: To provide access to financial resources for the development and management of affordable, safe, and sanitary housing.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5AZ	997-601	Housing Finance Agency Personal Services	\$8,100,000	\$8,100,000
General Services Fund Subtotal			\$8,100,000	\$8,100,000
Total Funding: Affordable Housing			\$8,100,000	\$8,100,000

This analysis focuses on the following specific programs within the Affordable Housing program series:

- **Program Support**
- **Homeownership**
- **Planning, Preservation, and Development**
- **Program Compliance**

Program Support

Program Description: The Executive Office directs and oversees all functions performed by the Agency's administrative and programmatic divisions and is responsible for the Agency's policies, objectives, and initiatives. The office reports to the Board and represents the Agency and the state to federal, state, and local elected officials, the housing industry, the mortgage lending community, the investment banking community, and the public concerning affordable housing activities of the state and the Agency.

The Finance Office provides fiscal management and accounting for the Agency and all of its programs. In its history, OHFA has issued over \$7 billion in single-family mortgage revenue bonds and \$475 million in multifamily revenue bonds. The office currently manages more than \$1.7 billion in combined mortgage bonds payable and represents the Agency with bond counsel, bond trustees, and investment bankers. Additionally, the office administers over \$47 million annually in housing assistance payments for HUD Section 8 housing projects, and acts as loan servicer for affordable housing loans and down payment assistance loans, which currently total approximately \$256 million.

Other offices include the Administration Office, which provides centralized services and specialized support to the Agency, and the Information Technology Office, which designs, acquires, and implements all aspects of OHFA's computer operations.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Program Support totals \$3,823,715 in each year of the biennium and will support this oversight of all agency activities, including centralized information technology and finance services.

Homeownership

Program Description: The Homeownership Office works to ensure safe, structurally sound, and sanitary homeownership opportunities for low- to moderate-income individuals and families by providing low-interest loans and down payment assistance. Two programs in particular that are managed by the Homeownership Office include:

- **The First-Time Homebuyer Program.** The largest program operated by OHFA, the program offers 30-year, fixed-rate mortgages at below-market interest rates to first-time homebuyers or persons purchasing homes in economically distressed areas. Under current program rates, prospective homeowners not using down payment assistance can qualify for mortgage rates starting at 5.10%, and buyers using down payment assistance can qualify for rates starting at 5.50%. Down payment assistance is offered through OHFA's Single-Family Mortgage Revenue Bond Program in the form of a grant of up to 2% of the home's purchase price. These grants are available on a first-come, first-served basis. In the upcoming biennium, OHFA expects to issue \$300 million per year in mortgage revenue bonds to fund some 6,000 mortgages statewide.
- **The Mortgage Credit Certificate Program.** Created to help reduce a homebuyer's federal income tax liability, under this program, 10% of a homebuyer's annual mortgage interest payment can be used as a tax credit, with the remaining 90% of the interest taken as an itemized deduction. For targeted areas, 20% of the interest payment can be used as a tax credit, with the remaining 80% taken as an itemized deduction.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Homeownership totals \$994,013 in each year of the biennium and will support operations of the First-Time Homebuyer and the Mortgage Credit Certificate programs.

Planning, Preservation, and Development

Program Description: Programs administered by the Planning, Preservation, and Development Office provide financial assistance to developers for all stages of the development process, including predevelopment, construction, and post-construction permanent financing. All programs are accessed through a one-stop application approach, intended to encourage nonprofit and for-profit developers to increase affordable housing stock targeted to Ohio's low- and moderate-income individuals and families. Programs administered by the Planning, Preservation, and Development Office include:

- **The Housing Credit Program.** Income tax credits are used to offset federal income tax liability (either corporate or individual) for building acquisition, new construction, and substantial rehabilitation costs. Tax credits are subtracted on a dollar-for-dollar basis from the federal income tax liability and can be received each year for up to ten years with the affordability component enduring for a total of 30 years. In the upcoming biennium, OHFA

expects to allocate \$44 million in annual credits, resulting in the development of 110 properties consisting of 5,500 affordable housing units.

- **The Housing Development Loan Program.** Provides seed, construction, and bridge loan assistance through the use of five funding mechanisms: seed money loans, compensating balance loans, equity bridge loans, direct loans, and loan guarantees. Moneys for this program are provided through Unclaimed Funds that are collected by the Department of Commerce.
- **The Housing Development Assistance Program.** Provides financing to expand, preserve, and improve the supply of decent, safe, and affordable housing. The HTF provides funding to projects that predominantly serve low-income households at or below 50% of the area median income (AMI); preference is given to households at or below 35% of the AMI. Additional funding for projects derives from federal HOME Investment Partnership funds. In the upcoming biennium, OHFA expects to award \$24 million per year in HDAP loans.
- **The Multifamily Bond Program.** Finances multifamily housing through the issuance and sale of tax-exempt development bonds. Bonds issued under the state's Volume Cap Allocation support this program, which in turn, supports low-interest mortgages for projects that involve new construction or rehabilitation. Assistance is usually provided in conjunction with the Housing Credit Program.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Planning, Preservation, and Development totals \$1,624,890 in each year of the biennium and will support staffing needs for all of the programs listed above.

Program Compliance

Program Description: The Program Compliance Office monitors more than 1,000 tax credit properties and more than 500 HOME/HDAP properties across the state. Program Compliance ensures that properties are being maintained in a satisfactory manner and that properties are in compliance with Internal Revenue Service, HUD, and state regulations. In addition, the office monitors approximately 30 multifamily bond-financed properties consisting of 3,500 units and five Federal Deposit Insurance Corporation properties consisting of 202 units, and acts as contract administrator for HUD Section 8 privately owned properties consisting of more than 8,000 units. As contract administrator, OHFA is responsible for disbursing subsidy payments each month on behalf of the lower income residents and for performing site reviews of all properties to ensure compliance with federal and state regulations.

Section 8 Rental Assistance Program

The U.S. Department of Housing and Urban Development (HUD) funds the Section 8 Project-Based program, which provides rental subsidies directly to private owners of Section 8 apartment developments. The tenant pays approximately 30% of his or her income toward rent and utilities, and HUD pays the remainder of the rent as agreed upon by HUD and the private owner. Additionally, HUD provides subsidies to local public housing authorities that administer the Tenant-Based program, in which rental subsidies are paid to private owners of tenant selected rental units.

OHFA currently serves as contract administrator for 108 projects with 8,622 units under the Owner-Based program. In the Section 8 Owner-Based program HUD provides loans to landlords that rent to low-income persons. In its role as contract administrator for HUD, OHFA performs site inspections and distributes rental assistance payments from HUD to the project owners.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Program Compliance totals \$1,657,382 in each year of the biennium and will support the staffing needs of the Program Compliance Office.