

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB121

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Morrissey

3. Committee: General Laws

4. Title: Virginia Housing Trust Fund Authority; created, report.

5. Summary: Creates the Virginia Housing Trust Fund Authority to administer the Virginia Housing Trust Fund also created by the bill to assist in increasing the capacity of community housing organizations and encourage private sector businesses and individuals to contribute capital to community-based housing organizations and assist them in providing safe, decent, and affordable housing to Virginia citizens. The bill sets the powers and duties of the Authority and its Board of Directors, and the lawful purposes for which the Fund may be used.

6. Budget Amendment Necessary: Yes. Item 108.

7. Fiscal Impact Estimates: Preliminary. See item 8, below.

8. Fiscal Implications: The total fiscal impact of the bill is indeterminate. However, it is anticipated that the proposed legislation will have an expenditure impact on the Department of Housing and Community Development (DHCD) estimated at \$103,125, annually, and 1.25 positions; a nongeneral fund appropriation is necessary. The bill establishes a new resource, the Virginia Housing Trust Fund, to support the authority's activities but does not identify a funding source for this new fund.

Under the provisions of the bill, the Virginia Housing Trust Fund Authority will be a political subdivision. The Virginia Housing Trust Fund, which will facilitate and support the activities of the authority, will be a special nonreverting fund in the state treasury. From this fund, the authority will make grants or loans to localities, local government housing authorities, nonprofit organizations and regional or statewide housing assistance organizations that provide assistance to low or moderate income citizens and are exempt from taxation under §501(c)(3) of the Internal Revenue Code, as amended. Additionally, the fund will support the management activities of the authority, including salaries for an executive director and staff.

The authority will be governed by an 11 member board, which will meet a minimum of four times during the fiscal year. The bill provides for reimbursement to the eight non-ex officio

board members for their expenses incurred in the discharge of their responsibilities. The fiscal impact associated with reimbursing board members is indeterminate and depends upon the number of meetings, the location of the meetings, and the distance the board members must travel in order to attend the meetings. Also, the number of staff the authority may hire and the salaries of those individuals are unknown.

The bill directs DHCD to provide office space and staff support services for the executive director and the authority, and to act as the authority's fiscal agent. As such, DHCD is required to provide accounting services, invest the authority's funds, service the authority's investments and loans, make disbursements from the fund, and establish best practices for the organizations that receive a grant or loan from the fund. Several of these activities, such as loan servicing and managing investments, are not currently performed by the agency in conjunction with its existing housing programs. It is anticipated that DHCD will need additional staff and resources to perform these additional responsibilities. The bill directs the authority to provide reasonable compensation to DHCD for its services, but as referenced above, the bill does not address a revenue source for the fund. DHCD estimates the annual impact will be \$103,125 and 1.25 positions, and a budget amendment is necessary. A detailed estimate of DHCD's anticipated annual costs follows:

Cost Area	FTE	Estimated Cost
Fiscal and accounting services, fund disbursement - salary, fringe and benefits	.50	\$42,500
Administrative staff support for executive director and authority - salary, fringe and benefits	.50	30,000
Developing best practices for recipient organizations - salary, fringe and benefits	.25	18,125
Office Space	--	2,500
Other services, including investment and loan servicing activities, for which DHCD lacks in-house capacity	--	10,000
Totals	1.25	\$103,125

In the event the authority is eliminated any of the authority's assets that remain after the payment of all obligations will be distributed to the Virginia Housing Partnership Revolving Fund. The Virginia Housing Partnership Revolving Fund provides gap financing to developers of lower-income rental properties, organizations providing special needs housing, and other housing organizations with a source of very low cost capital for construction projects. The fund also provides loan products to first-time homebuyers. As a revolving fund, it is designed to ultimately become self-sustaining by re-infusing proceeds from the repayment of the principal and interest from loans to provide capital for new projects. Since its inception, the General Assembly has appropriated over \$85 million for the Virginia Housing Partnership Revolving Fund. In 2003, due to budget reductions, the portfolio and other assets of the fund were sold and the majority of the proceeds were deposited to the general fund. At the end of FY 2011, the fund had net assets totaling \$468,899.

DHCD estimates that annual funding of approximately \$20 million would be required to capitalize the Virginia Housing Trust Fund at a level sufficient to implement a statewide

program. This is consistent with the initial infusion of funding provided for the Virginia Housing Partnership Revolving Fund in 1989.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Housing and Community Development, Virginia Housing and Development Authority.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** HB 790 renames the Virginia Housing Partnership Revolving Fund to the Virginia Housing Trust Fund, and dedicates 10 percent of the annual general fund revenue collections that are in excess of the official estimates in the Appropriation Act and 10 percent of any unreserved general fund balance at the close of each fiscal year whose reappropriation is not required in the Appropriation Act to the fund. HB1100 also establishes the Virginia Housing Trust Fund and the Virginia Housing Trust Fund Authority to administer the fund.

Date: 1/24/12

Document: G:\Budget Development\2012 Legislation\HB121.doc