

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB121

House of Origin	<input type="checkbox"/> Introduced	<input checked="" 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: Appropriations

4. Title: Virginia Housing Partnership Revolving Fund.

5. Summary: Renames the Virginia Housing Partnership Revolving Fund to the Virginia Housing Trust Fund. The bill provides that 25 percent of the moneys deposited in the fund in any fiscal year shall be used by the Department of Housing and Community Development (DHCD) for grants for rental assistance to individuals and families experiencing homelessness and other appropriate assistance to facilitate the achievement of housing stability, including supportive services. The bill contains technical amendments.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Not available. See item 8, below

8. Fiscal Implications: This bill would have an unknown expenditure impact for DHCD. This would include costs associated with the development of revised grant eligibility requirements, as mandated by the proposed legislation, as well as ongoing administrative costs associated with processing applications and ongoing assurances.

Section 36-142, Code of Virginia, currently allows the recovery of reasonable expenses incurred in the administration and management of the fund; this is continued in the bill.

The Virginia Housing Partnership Revolving Fund, which this bill renames the Virginia Housing Trust 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, the Virginia Housing Partnership Revolving Fund 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.

Historically, less than 10 percent of the moneys in the Virginia Housing Partnership Revolving Fund supported grant awards and over 90 percent supported loans which were then repaid to the fund, contributing to the fund's stability. This bill would require that 25 percent of any moneys deposited to the reconstituted fund in any fiscal year be used for grants for rental and other assistance to facilitate the achievement of housing stability. The increased emphasis on grants rather than loans may result in an increased rate of expenditure from the fund; also, less money may be re-infused into the fund and made available for new projects.

This bill does not identify a funding source to capitalize the reconstituted Virginia Housing Trust Fund. The bill provides that the fund shall consist of moneys appropriated to it by the General Assembly, federal and other grant funds, and interest income. Currently, the Code provides for the transfer of any fiscal year-end balances in the Virginia Real Estate Transaction Recovery Fund in excess of \$2.0 million to the Virginia Housing Partnership Revolving Fund. Similarly, any year-end balances in the Common Interest Community Management Information Fund in excess of \$5.0 million are also transferred to the Virginia Housing Partnership Revolving Fund. This bill would provide for the continued transfer of these moneys to the Virginia Housing Trust Fund.

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. Alternatively, with a lower level of funding DHCD could implement a targeted program (by region or type of service provided).

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/13/12

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