

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Housing Finance Agency

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#### TABLE OF CONTENTS

<b>Quick look.....</b>	<b>1</b>
<b>Agency overview .....</b>	<b>1</b>
<b>Analysis of FY 2024-FY 2025 budget proposal.....</b>	<b>2</b>
Housing Finance Agency Personal Services (ALI 997601).....	2
Administration .....	2
Program compliance .....	3
Planning, preservation, and development.....	3
Homeownership.....	3
Housing Finance Agency – Landlord Credit Score Cost Assistance (ALI 997602) .....	4
Proposed single-family housing development tax credit and low-income housing tax credit .....	4
ARPA funding – Save the Dream Ohio Program .....	5

# LBO Redbook

## Ohio Housing Finance Agency

### Quick look...

- The Ohio Housing Finance Agency (OHFA) seeks to expand 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 Department of Development and nine members appointed by the Governor. The agency employs a staff of 182 as of February 2021.
- The executive budget recommendations total \$37.3 million over the biennium.
  - OHFA's payroll is subject to legislative appropriation but funding for its housing programs are not. Payroll costs are funded by program, administrative, and loan application, reservation, and servicing fees generated related to OHFA's programs and represents 92.0% of the executive budget recommendations.
  - The remaining \$3.0 million of the recommendation (8.0%) is for OHFA to implement a pilot program that will provide assistance to certain landlords for costs incurred when reporting rent payments to a third party providing credit monitoring services.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
<b>Fund 5AZ0 ALI 997601, Housing Finance Agency Personal Services</b>					
\$12,218,390	\$12,309,134	\$13,458,784	\$15,650,208	\$16,861,741	\$17,433,489
% change	0.7%	9.3%	16.3%	7.7%	3.4%
<b>Fund 5ZM0 ALI 997602, Housing Finance Agency – Landlord Credit Score Cost Assistance</b>					
\$0	\$0	\$0	\$0	\$1,500,000	\$1,500,000
% change	0.0%	0.0%	0.0%	N/A	0.0%

### Agency overview

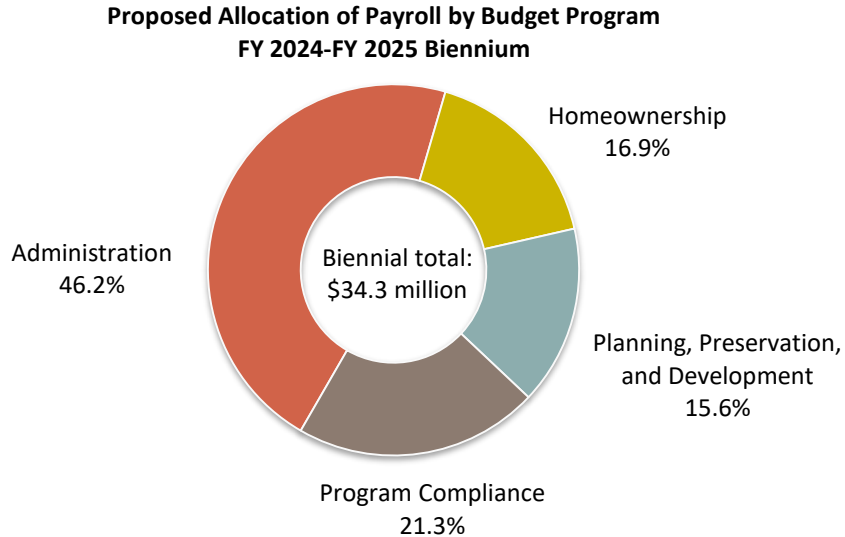
The Ohio Housing Finance Agency (OHFA) facilitates financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects in coordination with private industry and local communities. The housing programs are primarily funded by revenues from the issuance, private sale, and repayment of mortgage revenue bonds, as well as federal funds from the American Rescue Plan Act of 2021 and the Department of Housing and Urban Development (HUD) under the HOME Investment Partnership Program. OHFA operates various housing programs under three budget programs: Homeownership; Planning, Preservation, and Development; and Program Compliance. In addition, there is an Administration budget program that provides administrative and operation support for the entire agency.

## Analysis of FY 2024-FY 2025 budget proposal

Proposed funding for the Ohio Housing Finance Agency (OHFA) is \$18.4 million in FY 2024 and \$18.9 million in FY 2025. The majority of this funding (92.0%) supports payroll costs for the agency’s 182 employees (36 of these are project or temporary employees). The remaining \$3.0 million for the FY 2024-FY 2025 biennium will support a new pilot program to provide assistance to certain landlords for costs incurred when reporting rent payments to a third party providing credit monitoring service. 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.

### Housing Finance Agency Personal Services (ALI 997601)

This appropriation line item (ALI) supports OHFA’s payroll costs and is supported by 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 5AZ0). The chart below illustrates how OHFA’s payroll appropriations would be allocated between program management functions. Overall, the program administration payroll makes up about \$15.8 million (46.2%) of budgeted amounts. About \$7.3 million (21.3%) goes to payroll for program compliance staff. About \$5.8 million (16.9%) is for homeownership, and the remaining \$5.4 million (15.6%) is slated for planning, preservation, and development.



### Administration

The administration program encompasses OHFA’s central administrative and program management functions, currently consisting of 64 employees. The eight sub-offices within this area include: (1) Executive Director, (2) Capital Markets, (3) Facilities, (4) Human Resources, (5) Finance, (6) Information Technology, (7) Internal Audit, and (8) Legal Office. 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**

Program compliance 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 2022, the Training Office completed over 500 multifamily property inspections. In addition, it completed 474 Housing Tax Credit reviews and 392 gap financing reviews.

## **Planning, preservation, and development**

The planning, preservation, and development program consists of the Office of Multifamily Housing. The Office 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 the Department of Housing and Urban Development (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 Department of Development. 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 2022, it financed 5,078 affordable rental housing projects for low-income households. Of this amount, 1,035 of these units are located in areas of high opportunity (areas of strong economic, environmental, and educational outcomes).

## **Homeownership**

Homeownership consists of the Office of Single Family Housing and its two divisions: (1) Residential Lending and (2) Preservation. The 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 125 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 Tax Credit 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 Homeowner Assistance Fund under a program called Save the Dream

Ohio. The program provides financial assistance to homeowners impacted by loss of income or increase in expenses related to the COVID-19 pandemic as described in more detail under **“ARPA funding – Save the Dream Ohio Program.”** Lastly, the 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 2022, OHFA funded 3,888 First-Time Homebuyer loans, approved 554 homebuyer loans under the Ohio Heroes Program and 197 under the Grants for Grads Program, and issued over 700 Mortgage Tax credits.

## **Housing Finance Agency – Landlord Credit Score Cost Assistance (ALI 997602)**

The executive budget appropriates \$1.5 million in both FY 2024 and FY 2025 under Fund 5ZM0 ALI 997602, Housing Finance Agency – Landlord Credit Score Cost Assistance, to support a new pilot program to offset costs incurred by landlords for reporting the payment of rents using a third-party partner to credit monitoring services. The following are eligible for assistance under the program: (1) landlords participating in the Low-Income Housing Tax Credit Program through OHFA, or (2) landlords providing recovery housing required for opioid and co-occurring drug addiction services and recovery support. Funding for this program is supported by a cash transfer of up to \$3.0 million from the GRF and deposited into the Credit Score Cost Assistance Fund (Fund 5ZM0).

## **Proposed single-family housing development tax credit and low-income housing tax credit**

The executive budget proposal authorizes two nonrefundable tax credits for the investment in the following: (1) the development and construction of affordable single-family homes, and (2) the development of low-income rental housing that is awarded in conjunction with the federal low-income housing tax credit (LIHTC). Both credits may be claimed against the insurance premiums, financial institutions, or income tax and both credits will be administered by OHFA. For the single-family housing development tax credit, OHFA may reserve up to \$50.0 million in a fiscal year, but allows unreserved credit allocations and recaptured or disallowed credits to be added to the credit cap for the next fiscal year. The executive estimates the GRF tax revenue loss from this credit at \$5.0 million in FY 2024 and \$10.0 million in FY 2025. For the Ohio LIHTC, OHFA is limited to reserving up to \$100.0 million per fiscal year in tax credits, but also allows unreserved credit allocations and recaptured or disallowed credits to be added to the credit cap for the next fiscal year. The executive estimates the GRF tax revenue loss at \$10.0 million in FY 2024 and \$20.0 million in FY 2025. The executive budget proposal prohibits OHFA from reserving any credits for either tax credit after June 30, 2027.

OHFA may need to hire more staff to administer these programs. For the single-family housing tax credit, OHFA anticipates it may need to hire four new staff (two Housing Grant Analyst 2, one Tax Credit Manager, and one Housing Examiner) for its Office of Single Family Housing. The Office of Multifamily Housing may need to hire one administrative employee to support the Ohio LIHTC. The executive budget proposal does, however, allow OHFA to assess application, processing, and reporting fees to cover the cost of administering the tax credit.

## **ARPA funding – Save the Dream Ohio Program**

In April 2022, OHFA established the Save the Dream Ohio Program to assist homeowners impacted by loss of income or increase in expenses related to the COVID-19 pandemic. The program is supported by the federal American Rescue Plan Act (ARPA) under the U.S. Department of Treasury's Homeowner Assistance Fund. OHFA, on behalf of the state, was awarded \$280.7 million under the Homeowner Assistance Fund to be used for the Save the Dream Ohio Program.

There are two components of the Save the Dream Ohio Program: Mortgage Assistance and Utility Assistance Plus. Under the Mortgage Assistance component, eligible homeowners can receive future mortgage payments for up to six months and/or assistance to pay delinquent mortgage payments. An eligible household can receive up to \$25,000 in assistance. Under the Utility Assistance Plus component, eligible homeowners can receive up to \$10,000 to pay delinquent utility bills, property taxes, and other housing costs not included in mortgage payments. Under each component, payments are made directly to mortgage servicers, utility companies, taxing authorities, insurance companies, or homeowner associations. These payments are applied to a homeowner's accounts.

As of September 2022, OHFA disbursed \$66.4 million benefiting over 12,000 households under the Save the Dream Ohio Program. Of that amount, \$52.5 million was under the Mortgage Assistance component and \$13.9 million was under the Utility Assistance Plus component. The program will run through September 30, 2025, or until the funding is exhausted.