REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

INTERIM REPORT: REVIEW OF THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 69

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Preface

House Joint Resolution 731, approved by the 1999 General Assembly, directed the Joint Legislative Audit and Review Commission (JLARC) to study the programs administered by the Virginia Housing Development Authority (VHDA), as well as the organization and management of the Authority. VHDA was created by the General Assembly in 1972 as the State's housing finance agency to stimulate investment in new construction and rehabilitation of affordable housing, as well as to provide financing for it.

The JLARC staff review of VHDA is ongoing and will be completed in the summer of 2000. This interim report provides background information on VHDA and housing programs in Virginia. The final report will present the findings and recommendations of the review.

A key issue to be addressed is VHDA's administration of the federal Section 8 program. In addition, the final report will examine whether VHDA's programs are addressing the housing needs of low and moderate income Virginians in accordance with statutory intent. The final report will also present conclusions from JLARC staff's review of the performance, operation, management, and organization of the Authority.

On behalf of the Commission staff conducting this study, I would like to express our appreciation for the cooperation and assistance provided by VHDA staff and the Executive Director of the Virginia Housing Study Commission.

Philip A. Leone
Director

January 7, 2000

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I. Introduction

House Joint Resolution 731, approved by the 1999 General Assembly, directs JLARC to study the programs administered by the Virginia Housing Development Authority (VHDA) as well as the organization and management of the Authority. VHDA was created by the General Assembly in 1972 as a separate political subdivision for the purpose of providing safe and sanitary housing that families of low and moderate income can afford.

HJR 731 specifically directs JLARC staff to examine a number of issues regarding VHDA. The resolution directs JLARC to evaluate whether VHDA is addressing the housing needs of low and moderate income Virginians and is administering its programs in accordance with the statutory intent set forth in §36-55.25 of the *Code of Virginia*. This section of the *Code of Virginia* is the Authority's enabling legislation and directs VHDA to stimulate investment in construction and rehabilitation of affordable residential housing. The resolution expressly requests that JLARC examine VHDA's administration of the federal Section 8 program. This program provides rental assistance to very low income households and is administered in some areas of Virginia by VHDA. HJR 731 also directs JLARC to review the performance, operation, management, and organization of the Authority. A copy of HJR 731 is attached as Appendix A.

JLARC staff originally intended to report on VHDA's administration of the federal Section 8 program and the recapture of Section 8 funds by the U.S. Department of Housing and Urban Development (HUD) in this interim review. However, staff findings on the Section 8 program are not included in this interim report because the Office of the Inspector General of HUD has recently conducted an investigation of VHDA's administration of the Section 8 program but has not yet made public the written findings of this review. JLARC staff will examine the findings of this review prior to reporting on the Section 8 program.

The remainder of Chapter I discusses the statutory mission and organizational structure of VHDA. In addition, it provides some financial background on VHDA financing. Chapter II discusses VHDA's housing programs as well as the other entities involved in the provision of affordable housing in Virginia.

VHDA MISSION AND ORGANIZATION

The *Code of Virginia* sets forth the mission of VHDA in the Authority's enabling legislation and provides the Authority with a broad array of powers to fulfill it. The Authority has a staff of approximately 300 employees in six divisions. The divisions are under the direction of an executive director, who is appointed by a governing board.

Statutory Mission

The Virginia Housing Development Authority was established by the Virginia General Assembly in 1972 as the State's housing finance agency. The Authority's enabling legislation, §36-55.25 of the *Code of Virginia,* states:

> ... there exists within this Commonwealth a serious shortage of sanitary and safe residential housing at prices or rentals which persons and families of low and moderate income can afford .... in order to provide a fully adequate supply of sanitary and safe dwelling accommodations at rents, prices, or other costs which such persons or families can afford and to stabilize or recover a necessary economic mix in urban areas, the legislature finds it necessary to create and establish a State housing development authority for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing to meet the needs of such persons and families or to stabilize such areas through the use of public financing, to provide construction and mortgage loans and to make provision for the purchase of mortgage loans and otherwise.

VHDA was established by the General Assembly as a separate political subdivision within the Department of Housing and Community Development under the Secretary of Commerce and Trade. VHDA operates as an independent authority. It does not rely on General Fund money, but instead generates revenue through the sale of bonds and the issuance of mortgage loans. The *Code of Virginia* gives the Authority a broad range of powers to carry out its statutory mandate, including the powers to:

- borrow money and issue bonds and notes;
- acquire and sell real or personal property;
- lease or rent any dwellings, houses, or accommodations;
- employ architects; engineers; attorneys; accountants; housing, construction, and financial experts; and other advisors, consultants, and experts as necessary;
- insure mortgage payments of mortgage loans for persons of low and moderate income;
- make and enter into contracts and agreements with mortgage lenders for the servicing and processing of mortgage loans;
- assess and collect fees and charges in connection with agreements made by VHDA;

- enter into agreements with owners of housing developments eligible for federal low income tax credits;

- invest in, purchase, or make commitments to purchase securities or other obligations secured by or payable from mortgage loans or issued for the purpose of financing or otherwise assisting residential housing of low and moderate income families; and

- acquire, develop, and own multifamily housing.

VHDA Organizational Structure

The Board of Commissioners is the governing body of VHDA. The Authority staff, who administer VHDA and its programs, are organized into an executive division and five operational divisions. Each of these divisions is staffed by a director who reports to VHDA's deputy executive director. These division directors also comprise an executive committee. Figure 1 (page 4) shows the organizational structure of VHDA.

Board of Commissioners. The powers of VHDA are expressly vested by the *Code of Virginia* in the Board of Commissioners. This governing Board is comprised of ten members. Seven members are appointed by the Governor for four-year terms and are eligible for one reappointment. The only limitation on the appointment of these seven members is that the Governor may appoint no more than three persons from any one commercial or industrial field.

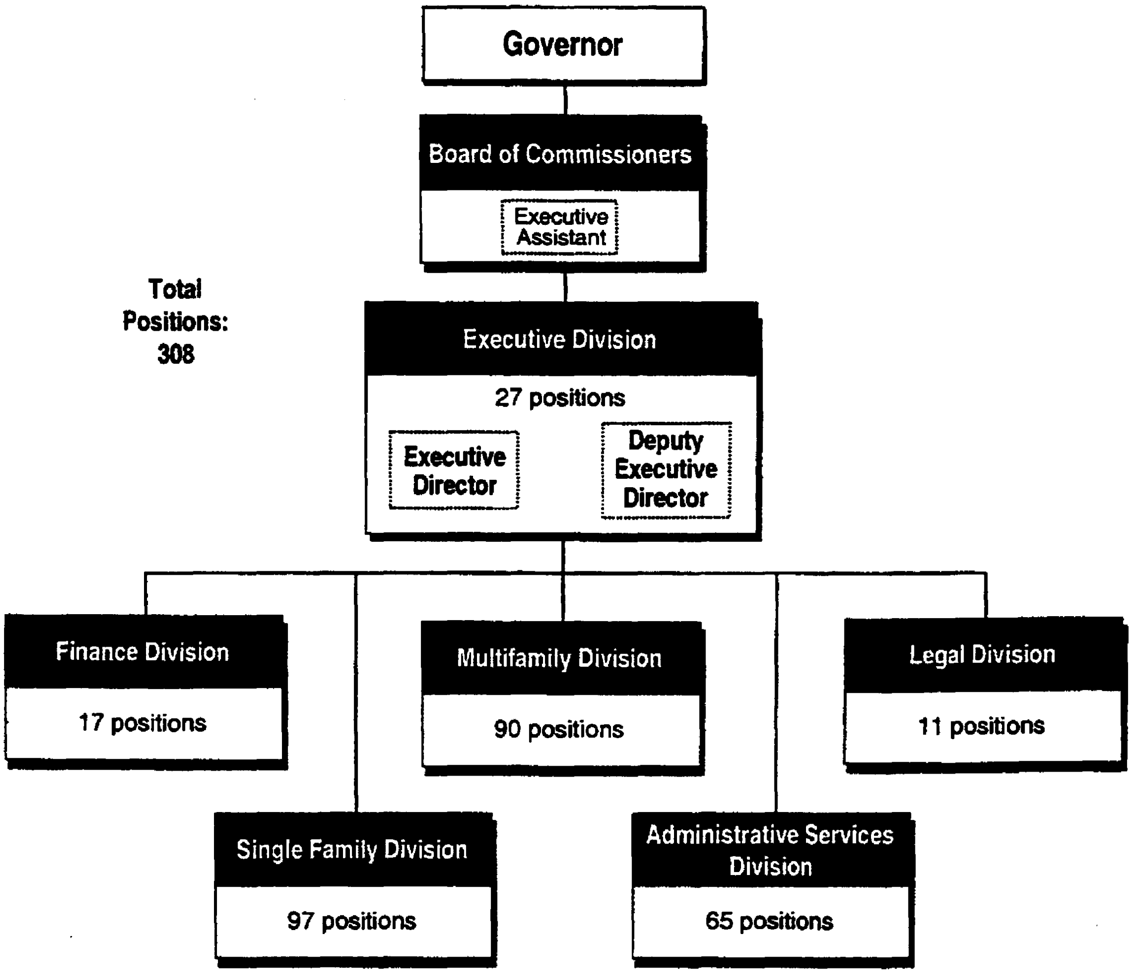
One member of the Board is selected by the Board of Housing and Community Development to serve as its representative. The remaining two members are the State Treasurer and the director of the Department of Housing and Community Development (DHCD). The Treasurer is a full voting member, but the director of DHCD is an ex-officio, nonvoting member.

The commissioners select a chairman and vice-chairman from among themselves. The Board performs most of its work through a committee structure which includes: Audit, Bond, Counsel Selection, Multifamily/Virginia Housing Fund, Budget, Legislative, and Personnel committees. VHDA recently created the temporary position of executive assistant to the Board which is held by the previous executive director of VHDA.

VHDA Executive Division. The executive division is led by the executive director of VHDA. The executive director is selected by the Board of Commissioners to manage and direct the affairs of VHDA subject to the policies, control, and direction of the commissioners. The executive director also serves as the secretary to the Board. The executive division includes the deputy executive director as well as three departments: internal audit; quality, planning, and research; and communications. Twenty-seven positions are assigned to this division.

Figure 1

Organization of the Virginia Housing Development Authority



Source: VHDA Administrative Services Division, effective July 1, 1999.

VHDA Operational Divisions. All of the remaining functions of VHDA are grouped into five divisions. The largest division at VHDA is the single family division. This division has responsibility for administering the single family loan program. There are 97 positions in this division. Forty-one of these positions are involved with loan originations, and 47 support loan servicing. Six positions are responsible for ensuring loan compliance.

The other programmatic division is the multifamily division. Several major programs are housed in this division, including the multifamily loan program, the federal low income tax credit program, and the Section 8 project-based and tenant-based programs. Of the 90 positions in this division, 23 work in the area of development, and 24 work in asset management. The special programs department, which administers the Section 8 tenant-based program, has 26 positions.

The administrative services division primarily supports the other divisions within VHDA. Within this division, there are three departments: support services, human resources, and information technology. There are 65 positions in this division. Approximately two-thirds of these positions are in the information technology department.

The two other divisions are the finance and legal divisions. The finance division has primary responsibility for bond issues, manages the proceeds of bonds and other VHDA monies, provides accounting functions, and prepares VHDA's financial statements. The legal division closes multifamily loans, prepares loan documents for the bond issues, and provides other legal advice. The finance and legal divisions have 17 and 11 positions, respectively.

VHDA FINANCING

VHDA is a financially self-sufficient organization that is able to pay for its own costs of operation. Revenues are generated through the financing of loans, principally using proceeds raised through bond sales. VHDA's bond resolutions enjoy strong financial ratings, and the Authority appears to consistently maintain financial stability.

Financing VHDA Programs

Financing for VHDA programs comes principally from the sale of bonds. VHDA issues three main types of bonds. Alternative minimum tax (AMT) bonds, which are also referred to as private activity bonds, are tax-exempt bonds. Federal law limits the amount of new tax-exempt private activity bonds each state is allowed to issue annually. The limit is generally $50 per capita, which translates into $337 million for Virginia. State law allocates 41 percent of this amount to housing programs. Twenty-seven percent is allocated to VHDA and the remaining 14 percent to local housing authorities.

VHDA also issues tax-exempt refunding bonds, which are not limited by a cap. The proceeds of these bonds are used by VHDA to retire outstanding bonds or to make funds available for new mortgage loans. In addition, VHDA issues taxable bonds, which carry market rates. With the issuance of tax-exempt bonds, VHDA is able to pay a lower bond rate to investors than is possible with taxable bonds because investors do not have to pay federal income taxes on the interest.

The primary way in which VHDA generates funds is by charging a higher interest rate on its mortgage loans than the yield it pays investors on its bond issues. For single family tax-exempt bond issues, VHDA may set no more than a 1.125 percent differential (known as the spread) between the yield on the bonds it issues and the yield on the mortgage loans it finances. For tax-exempt multifamily bond issues, the spread may be no more than 1.5 percent. VHDA also generates revenue through loan origination and application fees, which are included in the spread limitations, as well as investments. In general, VHDA cannot retain earnings on investments of bond proceeds in excess of the related yield on the bonds.

Both the single family and multifamily programs historically have been funded from the issuance of tax-exempt bonds. However, as a result of the Tax Reform Act of 1986, which placed a cap on the amount of tax-exempt bonds allocated to Virginia, and new limitations on the issuance of refunding bonds, VHDA increasingly has been issuing taxable bonds to fund additional loans. In the single family program, VHDA is able to make a substantial amount of new mortgage loans by recycling repayments of principal on existing mortgage loans and by the issuance of refunding bonds.

The only major programs administered by VHDA that are federally funded are the Section 8 project-based and tenant-based programs. VHDA receives administrative fees from HUD to pay for the cost of administering the Section 8 program. According to VHDA, the administrative fees received pay for the cost of administering the program.

Financial Rating

VHDA appears to be in a strong financial position. VHDA generally receives high debt ratings by Standard & Poor's and Moody's Investors Services. Standard & Poor's and Moody's currently give the Authority AA+ and Aa1 general obligation debt ratings, respectively. These are the highest bond general obligation ratings currently provided to any state's housing finance organization. VHDA's multifamily housing bonds, rental housing bonds, and Commonwealth Mortgage Bonds (single family bonds) receive AA+ and Aa1 debt ratings from Standard & Poors and Moody's as well.

One of the primary reasons for VHDA's strong financial position appears to be the sizable fund balances that the Authority has been able to develop. VHDA's success in generating revenue appears to be based largely on its ability to do a high volume of business and its criteria for underwriting loans. VHDA issues approximately $1 billion of notes and bonds annually. In 1998, only California's housing finance agency issued more housing bonds. According to VHDA's strategic plan, it has consistently been among the top ten state housing finance agencies in the United States in terms of its level of single family and multifamily lending. Moody's states that other reasons for VHDA's strong bond rating include: the depth and breadth of its management team, high underwriting standards, and strong asset management.

II. Housing Programs in Virginia

VHDA administers multiple programs that assist with the provision of housing to families in Virginia with household incomes ranging from moderate to poverty level. VHDA's primary activity is providing financing for affordable housing both for the purchase of single family homes and the development of multifamily rental units. The Authority also administers a major portion of the federal Section 8 subsidies allocated to the State by HUD. In addition to VHDA, there are numerous other governmental agencies, for-profit developers, and non-profit organizations at the federal, State, and local levels that are involved with the provision of affordable housing.

Despite the efforts of VHDA and other entities to provide affordable housing, two recent studies indicate that there remains a significant shortage of sanitary and safe affordable housing in Virginia. Assessments of housing affordability are generally based on area median family income and fair market rent (FMR). The FMR is a calculation used by HUD as the standard for affordability of rental housing. The FMR is the 40th percentile of gross rents (rent plus utilities) for standard rental units (does not include subsidized housing) occupied by recent movers in a local housing market. Rent is considered to be affordable if the cost, including utilities, does not exceed 30 percent of a family's income.

Two recent studies have examined the extent to which housing needs of lower income families in Virginia are being met. A 1999 study by the National Low Income Housing Coalition examined the income necessary for a family to afford rental housing and estimated the number of low income households in each state for which FMR would exceed 30 percent of the household income. The study found that of all the states, Virginia has the highest percentage of renters – 53 percent – that are unable to afford the FMR for a 2-bedroom apartment.

A study by the Virginia Center for Housing Research also found that a significant number of low income families across Virginia are currently paying rents that they cannot afford. The study indicated that in 1996, low income Virginians were paying an average of 51.2 percent of their incomes for housing expenses. In some localities, such as the city of Petersburg and Westmoreland County, renters were spending all of their income on rent. According to the study, renters in only four localities in Virginia paid on average below 30 percent of their income for housing.

VHDA PROGRAMS

VHDA is mandated to enhance the availability and affordability of housing for low and moderate income households. This includes a relatively wide range of household incomes. The VHDA programs vary in terms of the income levels that are served.

Income levels of persons being served are generally based on the HUD calculation of area median family income (AMFI). This HUD formula has been developed for calculating eligibility for Section 8 housing and is also used to determine compliance with occupancy requirements for tax credit projects and projects funded from tax-exempt bonds. The AMFI varies substantially by location. For example, as of January 1999, the HUD AMFI for a family of four in the Richmond metropolitan area was $57,400. In Northern Virginia, it was $78,900. In Wise County, the HUD AMFI was $29,100.

Many federal and State housing programs categorize moderate and low income households into four groups based on the AMFI (Table 1). "Moderate income" households are generally considered to be households with incomes between 81 and 115 percent of the AMFI. "Low income" households have incomes that range from 51 to 80 percent of AMFI. Households with incomes between 31 and 50 percent of the AMFI are considered to be in the "very low income" group. Households at or below 30 percent of AMFI can be classified as families who are at the poverty level.

Based on the initial review, it appears that most of VHDA's single family loan programs benefit primarily moderate income households, but also serve a substantial number of low income households. In contrast, VHDA's multifamily programs appear to serve primarily low income households, although some multifamily developments serve households in the very low income range. The only programs administered by VHDA that primarily serves households at the poverty level are the Section 8 project-based and tenant-based programs.

Table 1

Categories of Incomes Generally Used by HUD

Income Level	Percentage of AMFI	Income Range in Richmond, VA for a Family of Four
Moderate	81-115	$46,210 – $66,010
Low	51-80	$28,990 – $46,200
Very Low	31-50	$17,510 – $28,980
Poverty	30 or below	$0 - $17,500

Note: HUD defines the upward limit of "moderate income" as 95 percent of median income for some programs.

Source: HUD FY1999 Income Limits

Single Family Loan Program

VHDA's single family loan program provides loans to first-time home buyers at interest rates lower than the rates offered by private lending institutions. VHDA offers several categories of loans to first-time homebuyers. The single family division offers both standard 30-year fixed rate mortgage loans (at approximately one-half percent below the market rate) and two other types of loans intended to reduce the costs of ownership in the short term. The Step Rate loan program reduces the interest rate in the first two years of the mortgage loan but then raises the interest rate over the standard 30-year rate for the remaining years of the loan. In addition, VHDA offers the FHA PLUS program that allows homebuyers to finance their down payment and closing costs through a second mortgage.

Most of the single family loans are originated and serviced by private lenders. However, VHDA staff review each loan to ensure that it meets VHDA's underwriting criteria. VHDA may require the private lender to purchase any loan that the Authority determines does not meet its criteria.

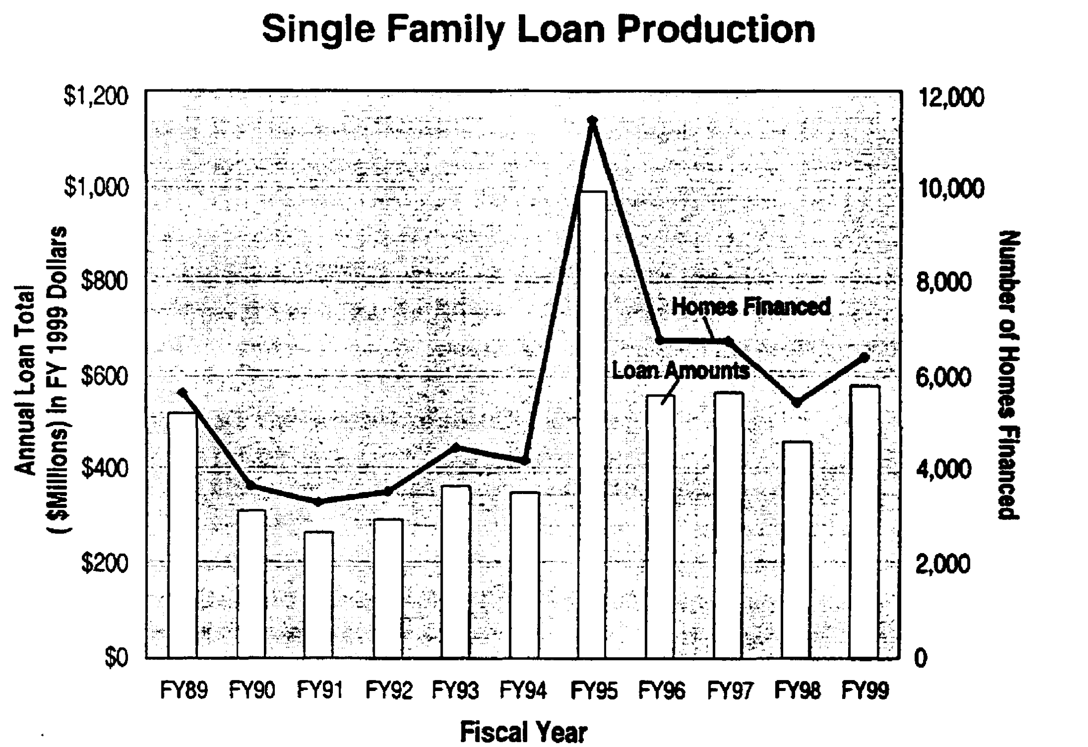
As of June 1999, VHDA had financed approximately 120,000 single family mortgages. VHDA financed more than 6,400 single family loans in FY 1999 totaling $588 million. This was more than twice the amount loaned for multifamily projects. Figure 2 shows the number of loans made as well as the total amount loaned annually over the last 11 years.

Multifamily Program

VHDA's multifamily division administers loans to non-profit and for-profit developers to build, rehabilitate, and maintain multifamily housing for low and moderate income families. Funds are raised to provide these loans through VHDA's issuance of tax-exempt and taxable bonds. Figure 3 (page 11) shows how much in bond proceeds went to fund the various types of multifamily financing in FY 1999. Three major types of financial support are available through VHDA's multifamily division: loans from tax-exempt bond funds (or in some instances tax-exempt blended with taxable bond funds) which may be combined with four-percent tax credits, loans from taxable bond funds, and nine-percent tax credits.

VHDA's issuance of tax-exempt alternative minimum tax (AMT) bonds finances $92 million in loans for approximately 18 multifamily projects annually. Because the interest on these bonds is exempt from federal income taxes, VHDA pays a lower interest rate on these bonds to investors. Often, VHDA will blend funds raised from the sale of taxable and tax-exempt bonds, enabling VHDA to spread its funds raised from the sale of tax-exempt bonds among more properties. In FY 1999, VHDA raised $28 million from the sale of taxable bonds for this purpose.

Figure 2



Source: VHDA Single Family Data

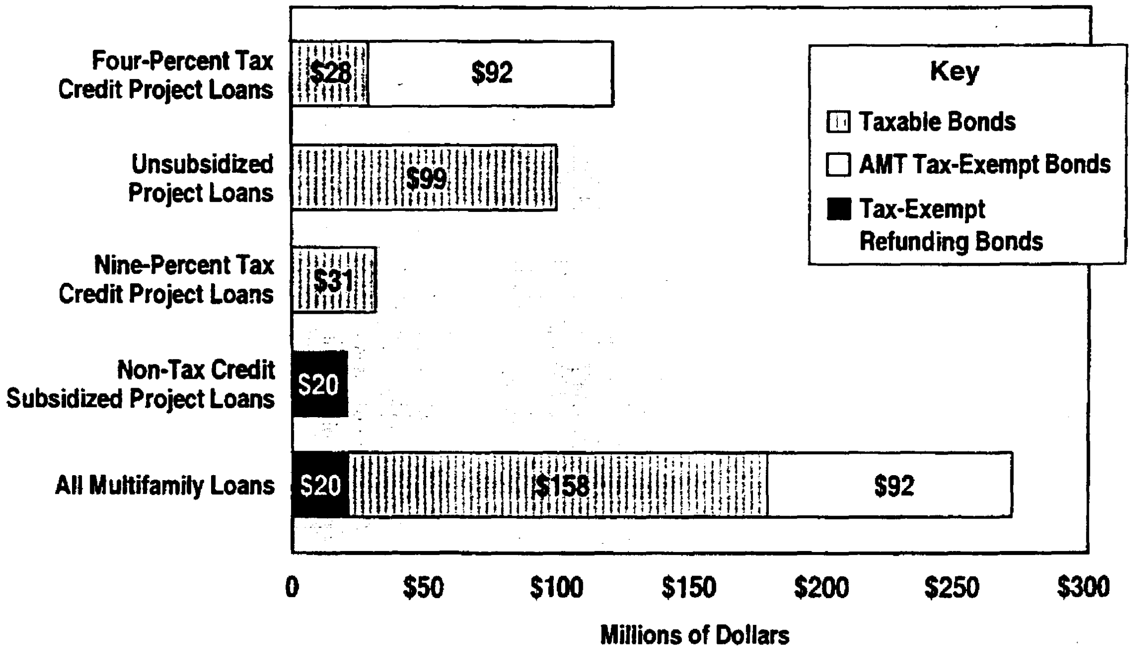
Projects that receive at least 50 percent of their financing from tax-exempt bonds usually qualify for a four-percent federal low income tax credit. The addition of the four-percent tax credit allows developers to raise equity for their projects and makes this type of financing package particularly attractive and in high demand by developers. A project that receives this kind of financing must lease a minimum of 20 percent of its units to tenants whose incomes are 50 percent or less of the area median family income, or at least 40 percent of the project's units to tenants whose incomes are 60 percent or less of AMFI. VHDA requires that tenants occupying the remaining units have incomes that do not exceed 150 percent of AMFI.

VHDA also funds some multifamily properties solely through taxable bonds. In FY 1999, $99 million was allocated for this purpose, and loans financed with these funds were awarded to 18 properties. The only income requirement for these properties is that owners rent all available units to tenants with incomes of no more than 150 percent of AMFI.

Developers may also apply for nine-percent federal low income tax credits to raise equity for projects. These nine-percent tax credits are available to developers on a competitive basis. They are extremely valuable because they can be sold to private investors to raise equity for a project. Such a credit can be worth as much as 70 percent of the value of the development over ten years. Approximately $8.5 million in nine-percent tax credits were awarded to a total of 40 projects in 1999.

Figure 3

Sources of Multifamily Loan Program Funds for FY 99



Source: VHDA Business Plan, Fiscal Year 2000.

The nine-percent tax credits are generally combined with loans from taxable bond funds. Many projects that receive tax credits through VHDA also receive financing for the projects through VHDA, though some projects receive loans from local government or other funding sources.

Projects that receive nine-percent tax credits are subject to the IRS tax credit income requirements. Specifically, either a minimum of 40 percent of the units must be rented to tenants at or below 60 percent of AMFI, or at least 20 percent must be rented to tenants at or below 50 percent of AMFI. Any non-tax credit units within projects that also receive VHDA taxable loan financing must be occupied by tenants with incomes that do not exceed 150 percent of AMFI.

In addition, there are two other types of multifamily project financing available from VHDA. The issuance of tax-exempt refunding bonds produces $20 million annually to be used for multifamily tax-exempt refunding loans.

Twelve loans financed by these bonds were awarded in FY 1999. These bonds are issued by VHDA to finance 20 to 30-year loans that replace short-term loans issued by local bond issuers, which are usually local housing authorities. At least 20 percent of the units in these projects must be occupied by tenants with incomes of less than 80 percent of AMFI.

VHDA has also occasionally issued 501(C)(3) bonds on behalf of non-profits to finance multifamily projects. These are tax-exempt bonds that do not count toward the cap on the State's allocation of the tax-exempt AMT bonds but may only be issued for the benefit of charitable organizations.

VHDA currently has 744 closed loans in its multifamily portfolio. In FY 1999, VHDA committed to make 63 loans in the principal amount of $282 million.

Section 8 Programs

VHDA has responsibility for administering a major portion of the Section 8 funds that are allocated by the U.S. Department of Housing and Urban Development (HUD) to the State of Virginia. The Section 8 programs provide for subsidies to reduce the rent burden for very low income or poverty level households (50 percent or less of median income). Section 8 assistance is provided through both project-based and tenant-based programs. Under the project-based program, the subsidy provided is tied to the rental unit and remains with the unit after a family moves out. In contrast, under the tenant-based program, the subsidy is provided to the household and remains with the household if the family chooses to move.

Under the project-based Section 8 program, HUD pays to the owners of Section 8 multifamily rental developments the difference between 30 percent of each tenant's income and the unit's rent. VHDA provided the financing for many of these Section 8 multifamily projects and assumed responsibility for administering the rent subsidies for units in these developments. The project-based program was phased out during the mid 1980's, and the last project-based Section 8 development was constructed in Virginia in 1986. However, the owners of the project-based multifamily developments entered into contracts with HUD to provide Section 8 housing. The terms of the contracts range from 15 to 40 years. Therefore, most of these developments are still serving Section 8 tenants, and VHDA is still administering subsidy payments to project-based Section 8 rental units. Currently, there are approximately 13,000 project-based Section 8 rental units administered through VHDA in the State, and the owners of these projects received approximately $77 million in subsidy payments in FY 1999.

The tenant-based Section 8 program is a subsidy program that provides financial assistance to very low income households in the form of certificates or vouchers to reduce their rent burden. Individuals or families who receive vouchers or certificates are then required to contract with a landlord who wishes to participate in the Section 8 program. With both the certificate and voucher programs, participants are required to pay 30 percent of their income in rent, and the subsidy, which also includes a utility allowance, funds the difference between this amount and the fair market rent for the unit. The only difference between the vouchers and certificates from the program participant's standpoint is that with a certificate, a tenant may only rent an apartment with rent at or below the fair market rent. In contrast, a participant with a voucher may rent a unit that exceeds the fair market rent, but will only receive a subsidy for the difference between 30 percent of the participant's income and a payment standard that is approximately equal to the fair market rent in the area.

VHDA administers the tenant-based Section 8 program through a contract with HUD. VHDA receives $63 million annually, which is then allocated to 90 localities around the State to provide subsidies for approximately 13,000 families. VHDA's responsibilities include technical assistance, monitoring program compliance, and disbursement of funds monthly to landlords and tenants. Most of the day-to-day administration of the program is handled by 75 local agents around the State (primarily local governments, local housing authorities, or non-profits). The local agents are responsible for processing applications, maintaining the waiting lists, conducting Housing Quality Standards inspections, providing local outreach, and issuing certifications and annual recertifications.

VHDA receives an administrative fee from HUD based on the number of units leased to pay for the administration of the Section 8 program. VHDA receives a per unit fee for each unit leased. The administrative fee per unit varies across jurisdictions based on when the unit was originally authorized. The per unit fee allocated by HUD ranges from 33 to 68 dollars per month. VHDA takes a percentage of the fee provided for each unit and allocates the remainder to the local agent responsible for the unit. VHDA has complete discretion as to the percentage of the administrative fee received for each unit that is allocated to the local agent. This allocation is determined by contract between VHDA and the local agent.

Several of the housing authorities or local governments that receive Section 8 funds through VHDA also contract directly with HUD for additional tenant-based Section 8 assistance. These authorities or local governments fully administer Section 8 funds received directly from HUD without any assistance from VHDA. In addition, several of the larger localities in the State administer their entire Section 8 program through direct contracts with HUD and no involvement by VHDA. Approximately 18,000 tenant-based Section 8 units are administered in Virginia through direct contracts between HUD and local housing authorities or local governments.

Virginia Housing Fund

In 1987, VHDA established the Virginia Housing Fund (VHF) to better meet affordable housing needs in hard-to-serve situations or locations. The VHF has been capitalized from net revenues generated from other VHDA programs. As of June 30, 2000, VHF will have a cumulative capitalization of $171 million, and VHDA's goal is to contribute $20 million to the fund every year over the next four years.

The fund's primary stated purpose is to serve elderly, disabled, and homeless persons as well as to serve families in need of affordable housing not otherwise being served by other housing programs. With VHF money allocated for multifamily loans, VHDA restricts eligibility for the loans to non-profit, minority, and rural developers.

In three of the last four fiscal years, approximately two-thirds of the loan funds provided from the VHF have been used for low interest loans for single family home ownership. The remaining funds have been allocated to provide loans for multifamily developments. Most of the money provided is in the form of loans with a five percent interest rate.

OTHER ENTITIES INVOLVED IN AFFORDABLE HOUSING

Numerous other organizations are also involved in the provision of affordable housing and impact the mission of VHDA. The United States Department of Housing and Urban Development administers most federal programs that provide funding for affordable housing. HUD distributes funding for the Section 8 program and oversees the implementation of the program at the State and local level. The Internal Revenue Service (IRS) is also involved in the provision of affordable housing through the federal low income tax credit program. The IRS sets the requirements for the program, but VHDA is primarily responsible for implementation of the program in Virginia. The United States Department of Agriculture also plays a role in the provision of affordable housing through financial and technical assistance to rural communities in order to assist them in meeting their housing needs. In addition, the United States Department of Veterans Affairs provides home mortgage loan guarantees to veterans.

Other federal entities involved with the provision of affordable housing are the Federal Home Loan Bank of Atlanta, Freddie Mac, and Fannie Mae. The Home Loan Bank makes available low cost housing funds for families earning less than 80 percent of the area's median income. Freddie Mac and Fannie Mae also provide low cost funding for housing and are primary purchasers of single family and multifamily residential mortgages.

At the State level, the primary State agency with responsibility for the provision of affordable housing is the Department of Housing and Community Development (DHCD). DHCD's division of housing provides financial and technical assistance to local governments and non-profits to expand housing opportunities in Virginia. DHCD manages both the Virginia Housing Partnership Fund (funded by the General Assembly) with the assistance of VHDA and the Home Investments Partnership Program (funded by HUD). DHCD also administers the Single Family Regional Loan Fund program which provides below-market-rate mortgages to low income home buyers. DHCD is also responsible for coordinating overall State housing policy with VHDA. Other State agencies that are involved in the provision of housing are the Departments of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS); Rehabilitative Services (DRS); and Social Services (DSS).

The other State entity involved in addressing housing issues is the Virginia Housing Study Commission. The Commission was established by the General Assembly in 1970 to study the issue of affordable housing and recommend legislative initiatives related to the provision of affordable housing. It has made a number of recommendations that have resulted in legislation to address the State's affordable housing needs and remains active in the study of issues relating to affordable housing.

Two other entities have also been involved in addressing housing issues in the State. The Virginia Community Development Corporation, which was created in response to a recommendation by the Virginia Housing Study Commission, serves as an intermediary to facilitate private sector investment in affordable housing for Virginians. As such, it serves as a syndicator of the federal low income housing tax credit in Virginia. In addition, the Virginia Center for Housing Research, which is affiliated with Virginia Tech, conducts research on various housing issues.

At the local level, there are 31 local or regional housing authorities in the State. The housing authorities are involved in a range of activities. Most housing authorities operate public housing units. In addition, most authorities administer Section 8 assistance either as a local agent of VHDA or through direct contracts with HUD. Some of the larger housing authorities are also involved in financing the development and rehabilitation of residential housing. In localities without housing authorities, local governments typically serve as the local agent for VHDA in the administration of Section 8 assistance and carry out other housing functions.

Most affordable housing in Virginia is provided by for-profit developers. Non-profit organizations are also active in the provision of affordable housing. According to VHDA, over time the Authority has generally worked with the same group of for-profit and non-profit developers to build or rehabilitate properties. Approximately 30 for-profit developers have received VHDA financing for multiple multifamily projects. In addition, there are approximately 20 major non-profit organizations that participate in the development of new affordable housing units across the Commonwealth. Additional for-profits and non-profits own and manage rental housing units that are made available to low income families.

JLARC staff will continue the review of VHDA over the next several months. The findings of this review will be presented in a final report in the spring or summer of 2000.

Appendix: Study Mandate

HOUSE JOINT RESOLUTION NO. 731
1999 Session

Directing the Joint Legislative Audit and Review Commission (JLARC), with the assistance of the Virginia Housing Study Commission, to study the various programs administered by the Virginia Housing Development Authority (VHDA).

WHEREAS, the Virginia Housing Development Authority was created in 1972 to assist in addressing the serious shortage of sanitary and safe residential housing which existed in Virginia; and

WHEREAS, a major objective of VHDA was to provide residential housing at prices or rentals which persons and families of low and moderate income could afford; and

WHEREAS, over the past twenty-seven years, VHDA has succeeded in providing housing for many Virginians who could not have otherwise afforded sanitary and safe housing; and

WHEREAS, one of the many housing programs administered by VHDA is the Section 8 Rental Certificate and Voucher program, funded by the federal government, with overview by the U. S. Department of Housing and Urban Development (HUD); and

WHEREAS, HUD , as a part of a $ 5.2 billion congressionally mandated recision, recovered approximately $ 31 million from the Virginia Section 8 Certificate and Voucher program administered by VHDA; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission (JLARC), with the assistance of the Virginia Housing Study Commission, be directed to study the various programs administered by the Virginia Housing Development Authority, particularly the Section 8 Program, and determine whether he programs are operating in accordance with the declaration of intent set forth in §36-55.25 of the Code of Virginia and that the housing needs of low and moderate income Virginians are being addressed by VHDA. The Commission shall also review the performance, operation, management, and organization of the Virginia Housing Development Authority.

All agencies of the Commonwealth shall provide assistance to the Commission, upon request.

The Joint Legislative Audit and Review Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 2001 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

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