

**Report to the Governor, the Secretary of  
Commerce and Trade, the House  
Appropriations Committee, and the Senate  
Finance Committee**

**The Virginia Housing Trust Fund  
*and the*  
Financial Status of the Virginia Housing Partnership Revolving  
Fund**

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**Submitted by:  
The Department of Housing and Community Development  
December 2019**

# **The Virginia Housing Trust Fund and the Financial Status of the Virginia Housing Partnership Revolving Fund**

## **Introduction**

During its 2013 regular session, the General Assembly amended provisions of Chapter 9 of Title 36 of the Code of Virginia to provide statutory direction for the administration of the Virginia Housing Trust Fund (VHTF). Item 108 G of the 2012 Appropriations Act established the Trust Fund and provided an initial allocation of \$8 million to become available in FY 2014. The 2013 statutory changes modified certain reporting requirements that originally applied to the former Virginia Housing Partnership Revolving Fund. Effective July 1, 2013, § 36-150 of the Code of Virginia required the Department of Housing and Community Development (DHCD) to report annually on the Trust Fund and such other matters the Department may deem appropriate, including the status of the former Housing Partnership Revolving Fund. Designated recipients of the report include the Governor, Secretary of Commerce and Trade and the Chairmen of the House Appropriations and the Senate Finance Committees.

In accordance with the requirement of § 36-150 of the Code of Virginia, DHCD presents the following document, which includes two sections.<sup>1</sup> Part I reviews recent activities associated with the operation of the Housing Trust Fund during the period since the close of FY 2019 as well as the impacts of funds allocated in 2018-2019. Part II updates information concerning the financial status of the Virginia Housing Partnership Revolving Fund, presently administered by the Virginia Housing Development Authority (VHDA). The latter section continues the format used during previous years in accordance with the former statute and incorporates materials provided by VHDA's independent auditor, KPMG, LLP.

## **Part I: The Virginia Housing Trust Fund**

### **Purpose and Background**

The Biennium Budget for 2018-2020 allocated \$11,000,000 in the first year and \$7,000,000 in the second year to fund activities through the Virginia Housing Trust Fund. This is an increase from the 2016-2018 Biennium Budget, which allocated \$11,000,000 over two years to support the activities of the VHTF.

At least 80 percent of the Fund is to be used for short, medium and long-term loans to reduce the cost of homeownership and rental housing. Up to 20 percent of the Fund may be used to provide grants for targeted efforts to reduce homelessness.

The entities charged with administering the Virginia Housing Trust Fund—the Department of Housing and Community Development (DHCD) and the Virginia Housing Development Authority (VHDA)—have extensive experience in implementing the activities needed to carry out the

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<sup>1</sup> <https://law.lis.virginia.gov/vacode/title36/chapter9/section36-150/>

provisions of the Fund. VHDA originates and services loans on a regular basis through its bond and revenue programs. It also services loans made with HOME funds administered by DHCD. Both agencies, which are overseen by boards subject to gubernatorial appointment, have more than two decades of experience in developing housing policy, and structuring and implementing programmatic tools to operationalize those policies. Both DHCD and VHDA are skilled at packaging affordable housing projects that include a range of funding sources in order to leverage their resources. The budget language creating the Housing Trust Fund identifies leveraging as an important component of the Fund’s operation.

**Input Into the Structure of the Housing Trust Fund**

Significant stakeholder input was gathered leading up to the development of the initial Virginia Housing Trust Fund (VHTF) framework. Building on this foundation DHCD has met with representatives of the Virginia Housing Alliance to discuss proposed changes for the VHTF and received input from the Alliance’s membership. Input sessions were held in January/February 2019 to gather feedback. Invitations were broadly extended to DHCD grantees, partners, and the public, as well as posted on the department’s website.

<b>Input Sessions</b>	
<i>Where</i>	<i>When</i>
Roanoke	January 28 , 2019
Abingdon	January 29, 2019
Henrico	February 4, 2019
Hampton	February 5, 2019
Woodbridge	February 7, 2019

In addition, Virginia Homeless Services input sessions were held in October 2019 where attendees were asked for feedback specific to the Virginia Homeless Reduction Grants (funded with Virginia Housing Trust Fund dollars).

<b>Virginia Homeless Services: Input Sessions</b>	
<i>Where</i>	<i>When</i>
Newport News	October 1, 2019
Richmond	October 3, 2019
Roanoke	October 7, 2019
Abingdon	October 8, 2019
Manassas	October 10, 2019

## Parameters of the Housing Trust Fund

The 2012 Budget Bill (Special Session I) included language establishing the basic parameters for the VHTF. These included guidance on the allocation of funds for grants and loans, a statement describing the types of activities eligible for grants or loans, and a list of the types of organizations eligible to receive program funds. The budget direction also stressed the importance of considering opportunities for leveraging and providing flexibility in loan products.

To implement the provisions of the Appropriations Act, DHCD and VHDA proposed to continue to allocate funds through the broad categories shown on the following table. The intent of the agencies is to encourage a variety of responses from eligible applicants so funds are deployed in a timely and strategic manner.

<b>2019-20 Virginia Housing Trust Fund Allocation</b>	
<b>Loans</b>	
Competitive Loan Pool	\$4,600,000
Vibrant Community Initiative	\$1,000,000
<b>Grants</b>	
Homelessness Reduction Competitive Grant Pool (including Family Housing Stabilization)	\$1,260,000
<b>Administration</b>	\$140,000
<b>Total</b>	<b>\$7,000,000</b>

At the time of this report (November 30, 2019) applications for the 2019-20 VHTF programs are in the process of being evaluated.

### Affordable Housing Loan Program

At least 80 percent of the funds allocated to the VHTF must be used to provide loans that reduce the costs of affordable rental housing and homeownership. Building on their previous experience with the VHTF and the Virginia Housing Partnership Fund, the housing agencies have determined VHDA will assist in providing the underwriting services needed to implement

the key provisions of loans made through this program. DHCD, with the participation of VHDA, will structure the design of the loan component with sufficient flexibility to maximize the long-term affordability and sustainability of the housing projects receiving assistance. They will also include provisions that encourage opportunities to include project participation from other public and private funding sources.

The loan program will have two distinct components. A majority of the loans will be offered through a competitive loan pool open to a variety of eligible projects accomplishing the VHTF's purposes. The second component will be dedicated to the Vibrant Community Initiative.

### *Competitive Loan Pool*

While the competitive loan pool will accommodate a wide array of possible projects, it will acknowledge the direction of a number of gubernatorial and General Assembly initiatives as well as the limited availability of funds by giving priority to demonstration projects that address articulated state housing policies. Such policies include supporting affordable, community housing options such as permanent supportive housing for persons with disabilities, including housing for the seriously mentally ill population, those who have intellectual and other developmental disabilities (the Department of Justice (DOJ) settlement population) and those experiencing chronic homelessness.

New in 2016 was a consolidated application process, which allows applicants to apply for four sources of funding with one application. The Affordable and Special Needs Housing Consolidated Application combines VHTF monies with Federal HOME, Federal Housing Trust Fund and state permanent supportive housing funds. DHCD conducted How-to-Apply workshops for the Consolidated Application in the summer 2018 and set proposal due dates for October 31, 2019 and March 31, 2020.

Most of the funds in the Competitive Loan Pool will be used to provide low-interest loans that are structured to meet the financing needs of specific projects. DHCD and VHDA anticipate that a majority of the loan pool will provide financial assistance for specific projects that address the affordable rental housing needs of very low-income citizens, while giving priority to projects that address critical housing needs mentioned in the previous paragraphs as well as other areas of need such as returning veterans. To assure the long-term viability of affordable rental projects, the agencies will give priority consideration to projects that have an identified strategy for financial sustainability, such as providing rental assistance to income-qualified tenants. In keeping with the direction that the loans provide flexible financing, the agencies will set repayment rates and terms for each individual loan from the VHTF. In addition, provisions of the loan program will encourage applicants to pursue leveraged funds from other sources such as Low-Income Housing Tax Credit (LIHTC) program and other federal and local housing programs, such as HOME and the Community Development Block Grant (CDBG) programs.

As with many of its programs, DHCD will use a competitive process to select projects for funding. The maximum VHTF amount available to a single project will be capped at \$700,000

for affordable housing projects and \$800,000 for projects targeting special needs and extremely low-income populations. The criteria used to evaluate projects for funding will include the: (1) direct impact on one or more high priority state housing policies; (2) leveraging; (3) affordability; (4) financial sustainability; (5) impact on local housing needs; (6) feasibility; (7) readiness; (8) coordination of services; and (9) the applicant's administrative capacity. DHCD will rank competitive project applications using a standardized review with a 100-point scale. No project will be funded that scores below sixty percent. DHCD will make funding offers to the highest scoring projects in descending order until available funds are exhausted or all projects scoring above sixty percent have been funded. Applicants may be asked to provide additional information to finalize funding offers. Property funded through a VHTF loan will be subject to a lien intended to ensure its continued use as targeted, affordable housing during a specified period. The outstanding balance on the loan will be due in the event the affordability period is not met.

### *Vibrant Community Initiative*

In 2015-2016 DHCD initiated the Vibrant Community Initiative, a pilot project that combined multiple funding sources in order to fund transformational community projects.

The Vibrant Community Initiative will continue in 2019-2020 with \$1 million in funding from the VHTF combined with approximately \$3.5 million in funding from CDBG, HOME, and the Virginia Housing Development Authority for a total of \$4.5 million to be spent on transformational community projects.

The selection of projects will be a two-phase process. The first phase is to submit an open letter of intent (pre-application); the second phase requires a full proposal from those projects selected through a review panel.

Selected from the letters of intent received, applicants will be invited to submit full proposals for comprehensive projects. Proposals must clearly describe the overall comprehensive project and all project activities. A comprehensive project is a project that includes a range of activities for example, neighborhood revitalization, downtown redevelopment, homeowner rehabilitation, down payment assistance, rental project development, water/sewer, and/or other infrastructure.

The letters of intent will be reviewed by the DHCD review panel and selected for full proposal submissions based on the following criteria:

- A plan and initial groundwork in place on a comprehensive project that includes at least a housing component;
- Demonstrated success with similar projects;
- Partnerships in place to execute the project; and
- Demonstrated capacity (financial and development team experience).

All invited proposals will be evaluated through a review committee based on the following scoring criteria:

- Alignment
- Need
- Project Readiness
- Capacity

Eligible projects must include a housing component as a key or significant part of the overall project. These projects must be structured to meet identified local needs and help to inform a larger scale application of the combined-resources process.

### **Homeless Reduction Grant Program**

The budget *permits* the use of up to 20 percent of the funds allocated to the VHTF to provide grants for activities to reduce homelessness.

In accordance with budget language, the Homeless Reduction Grant funds may be used for temporary rental assistance, not to exceed one year, housing stabilization services in supportive housing for homeless individuals and families, and predevelopment assistance to support long-term housing opportunities for the homeless. The restriction on the amount of the VHTF available for grants (and the one-year assistance limitation) suggests the VHTF could not serve as a significant, long-term source of rental assistance. However, it could be used to close temporary gaps for individuals, serving as bridge for individuals transitioning into rental arrangements with documented commitments of future rental assistance from other federal, state or local sources.

As with the loan program, projects will be selected for funding through a competitive application process. Applicants may apply for up to \$100,000. As with the loan program, DHCD will rank competitive project applications using a standardized review. DHCD will make funding offers to the highest scoring projects in descending order until available funds are exhausted or all projects scoring above sixty percent have been funded. Applicants may be asked to provide additional information to finalize funding offers.

DHCD will select projects based on the following criteria: direct impact on an established state housing policy, sustainability, impact on local needs, impact on reducing homelessness, feasibility, and capacity. Priority will be given to efforts to reduce the number of homeless youth and families.

Approximately \$141,837 will be used to continue the pilot project that was started in 2016. The Petersburg Family Housing Stabilization Pilot works with 17+ year old high school students in Petersburg High School to provide housing stability and improve overall attendance and educational outcomes.

## **Organizations Eligible for Virginia Housing Trust Fund Allocations**

The Budget specifies several types of organizations as being eligible to receive funding through the VHTF including: local governments; local housing and redevelopment authorities; regional or statewide organizations providing affordable housing and homeless assistance/services to Virginia citizens; and holding companies expressly created for owning and operating affordable housing. This would not preclude eligible organizations from contracting with a variety of other parties to assist in providing the housing and other resources required to satisfy the conditions of the grant or loan product.

## **Virginia Housing Trust Fund Administration and Management**

DHCD and VHDA have a proven record of jointly administering statewide housing initiatives. In the late 1980s, the General Assembly passed legislation creating the Virginia Housing Partnership Fund. It was created to improve the quality and affordability of housing throughout the commonwealth and was jointly administered by DHCD and VHDA. DHCD set policy, provided technical assistance to its housing development partners in responding to funding opportunities, and selected projects for funding through a competitive application process. VHDA provided underwriting services and originated and serviced loans.

Based on the model of the partnership fund, DHCD and VHDA jointly determine the policy parameters of the Housing Trust Fund. Specific aspects of Trust Fund implementation are handled by the individual agencies in accordance with their designated areas of expertise and responsibility.

With respect to the loan offerings, DHCD provides technical assistance during project development. VHDA, drawing on its forty-year experience in mortgage lending as the state's housing finance agency, provides project underwriting for the Affordable Housing Loan Program and performs loan origination, servicing and monitoring for all program loans. DHCD, which has more than thirty years' experience in managing federal and state grant and loan programs for housing and community development, as well as extensive involvement in homeless programs, administers the process to solicit applications for both the Competitive Loan Program and the Homeless Reduction Grant Program. Overall responsibility for the ongoing administration and monitoring of grants made through the Homeless Reduction Grant Program falls to DHCD.

## **Summary of Changes**

The 2019-20 Program Design has some features, which have evolved since the initial framework. Notably, the Competitive Loan Pool beginning with the 2016-17 program year is now a part of the previously described Affordable and Special Needs Housing Consolidated Application Process. This has streamlined the overall application process making three funding sources available through a single application. The 2019-2020 program year will also see the



continuation of the previous years' Vibrant Community Initiative with \$1,000,000 from the Fund allocated for comprehensive community projects.

**Summary of 2018-19 Utilization**

<b>2018-2019 Virginia Housing Trust Fund Allocation</b>	
<b>Loans</b>	
Competitive Loan Pool	\$7,580,000
Vibrant Communities Initiative	\$1,000,000
<b>Grants</b>	
Competitive Grant Pool (Homeless Reduction)	\$2,200,000
Administration	\$220,000
<b>Total</b>	<b>\$11,000,000</b>

2018-2019 Demand Summary

- Nearly \$17 million requested for the \$7.58 million in the Competitive Loan Pool funds
  - o 29 applications
  - o 13 awarded
- \$2 million requested for \$2.2 million in Homeless Reduction Grants
  - o 29 applicants
  - o 28 awards offered
  - o \$141,837 used to continue the Petersburg pilot project

Summary Points

- Overall approximately \$11 million in VHTF resources invested in creating or preserving affordable housing
  - o Many projects serving very low and extremely low income populations who are very hard to serve, such as chronically homeless and persons with intellectual and developmental disabilities
- Creation and Preservation of Affordable Housing units (Competitive Loan pool)
  - o \$7.58 million invested to support \$81 million in total project costs
  - o 1,226 units
- \$1 million to be award through the Vibrant Community Initiative to support comprehensive community projects;
- 200 households will be assisted through homeless reduction and permanent supportive housing assistance

## Housing Trust Fund Snapshot 2019-2020 Allocation

Trust Fund Components & Features	Grants	Loan		Totals
	Homelessness Reduction	Vibrant Community Initiative	Competitive Loan Pool	
<b>Purpose</b>	Provide competitive grants to local/regional partners providing temporary (<1 year) rental assistance; housing stabilization services in permanent supportive housing; and pre-development for long-term housing opportunities for the homeless. Require coordination with Continuum of Care (CoC).	Competitive process to combine multiple funding sources in order to fund comprehensive community projects. Trust Fund resources will be directed to activities supporting the creation or preservation of affordable housing opportunities. Will consolidate project management and program compliance requirements where possible.	Through a competitive process, provide local/regional partners with low-interest loans that will assist in financing housing projects that meet critical state housing policies. Project underwriting will tailor repayment rates and terms to specific project needs. The highest priority will go to those demonstrating financial sustain-ability and leveraging. <i>Prioritize projects serving special needs populations—ID/DD, Severe mental illness, Permanent Supportive Housing</i>	
<b>Funding Available</b>	\$1,260,000	\$1,000,000	\$4,600,000	\$7,000,000 (\$140,000 Administration)
<b>Project Caps</b>	\$100,000 per project	\$2,225,000 per project; combined with other sources of funding	\$700,000 per affordable housing project/ \$800,000 for projects focused on special needs and very low income housing	

## Part II: Financial Status of the Virginia Housing Partnership Revolving Fund

The 1988 General Assembly established the Virginia Housing Partnership Revolving Fund to expand the availability of affordable housing opportunities within the commonwealth. The Virginia Housing Development Authority (VHDA) administered and managed the partnership fund, subject to policies, procedures and programs established by the Department of Housing and Community Development (DHCD). In accordance with a Memorandum of Understanding between the two agencies, the Authority made underwriting recommendations and provided legal and loan servicing assistance for loan and grant applications identified by the department. Following 1989, the partnership fund provided grants and loans to a variety of housing providers and to persons and families of low and moderate-income. While in active operation, the partnership fund allocated over \$163 million to housing proposals financing 17,626 units.

In 2003, as part of a series of actions taken to close a serious budget gap, Item 111 G of the Appropriations Act directed the sale of the portfolio of outstanding loans and other assets of the Partnership Fund to VHDA.<sup>2</sup> A portion of the proceeds of the sale were paid to the General Fund, while another portion was directed to the Commonwealth Priority Housing Fund (CPHF), which in the near term provided a resource for addressing certain high priority housing needs. Ultimately, following the enactment of additional legislation during 2005, the remaining balance of the CPHF was transferred to a community development bank inaugurated by the commonwealth where it continued to provide a source of mortgage loan funding. A remnant of the Virginia Housing Partnership Revolving Fund remained on the books of VHDA where it was subject to annual financial reporting.

With the passage of legislation establishing the Virginia Housing Trust Fund (VHTF) during the 2013 Session of the Virginia General Assembly, VHDA assumed the role of administrator for VHTF, subject to program guidelines established by DHCD.<sup>3</sup> For the purposes of the program and VHDA's financial reporting, the VHTF received the investments previously held in the partnership fund. This effectively eliminated the partnership fund as a separate entry onto the books of the Authority, where the VHTF replaced it.

Thus, this portion of the report, in accordance with the provisions of § 36-150 of the Code of Virginia, addresses the 2019 financial status of the Virginia Housing Trust Fund and the former Virginia Housing Partnership Revolving Fund. The unaudited status of the Virginia Housing Trust Fund and the former Virginia Housing Partnership Revolving Fund is reflected as of September 30, 2019 (pages 13-17 attached below). This report addresses the net position, changes in net position, revenues and expenses associated with the Virginia Housing Trust Fund. VHDA, as administrator of a portion of the VHTF, provided the material included in this report. The financial status report on the VHTF was included in the VHDA financial statements for the year ended June 30, 2019. The public accounting firm KPMG audited these statements (pages 18-22 attached below). The Department of Housing and Community Development has received and

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<sup>2</sup> <https://leg1.state.va.us/cgi-bin/legp504.exe?031+bud+21-111>

<sup>3</sup> Chapter 754, 2013 Acts of Assembly: <https://lis.virginia.gov/cgi-bin/legp604.exe?131+ful+CHAP0754+pdf>

reviewed a copy of these financial statements and concluded that they accurately reflect the status of the VHTF.

Virginia Housing Trust Fund  
Notes as of September 30, 2019

9/30/19

<b>A</b>	Cash Balance	(10,173.29)
<b>B</b>	Cash Equiv & Investment Detail -	
	Common Fund - cash equivalents allocated (previously held in Virginia Partnership Revolving Fund)	11,230.00
	Common Fund - cash equivalents allocated	<u>2,970,970.00</u>
		<u>2,982,200.00</u>

Investment balance consists of \$11,230 held for the benefit of the former Virginia Partnership Revolving Fund plus amounts in table below:

Pathway Homes April 2016 receipt Balance Remaining	5,050.00
Pathway Homes October 2017 receipt Balance Remaining	4,100.00
Pennington GAP receipt December '18	340,000.00
Baker School receipt January '19	527,627.00
Old Prices Fork Phase II receipt March '19	1,265,250.00
Columbia Hills East receipt September '19	750,000.00
Net Remaining Interest earned on Investments through fund inception	78,943.00
Total in Common Fund	<u>2,970,970.00</u>

Common Fund earns 1.852% currently

C	Mortgage Loan Receivable - Detail	Loan Date	Loan Number	Loan Balance	Maturity Date
	Ada Park	2/26/2018	700169578	289,304.00	3/1/2038
	Highland Park Snr Apartments (Brookland Park)	9/29/2017	700189669	500,000.00	10/1/2037
	Community Havens- 4415 Briarwood Ct #26	5/30/2014	700146325	131,100.78	6/1/2044
	Community Havens-4355 Ivymount Ct #21	4/28/2014	700146321	139,162.44	5/1/2044
	Community Havens-4345 Ivymount Ct #5	6/20/2014	700146329	110,296.19	7/1/2044
	Community Havens-7753 Patriot Dr #16	6/20/2014	700146328	108,599.16	7/1/2044
	Community Havens-5840 Ridge Ford Drive	4/13/2017	700179636	141,587.92	5/1/2047
	Community Havens-Skyline House	9/24/2015	700169517	38,090.62	10/1/2045
	Commerce Village	2/16/2016	700169543	750,000.00	3/1/2036
	Crescent Square	12/8/2016	700156355	750,000.00	1/1/2037
	Culpepper Gardens	4/12/2018	700189716	700,000.00	5/1/2048
	Fallstead	11/23/2016	700179605	644,576.00	11/1/2038
	HOPE Scattered Sites	12/5/2018	700179638	371,975.00	1/1/2039
	Lindsay Hill Senior	12/13/2018	700199859	512,398.00	1/1/2039
	Miller House	11/9/2018	700199757	622,128.00	12/1/2038
	New Phoenix Village	10/12/2016	700146303	750,000.00	11/1/2036
	Old Forest Village	2/5/2019	700199792	428,903.00	3/1/2049
	Pathway Homes-4256 Buckman Road #15	11/6/2017	700189671	89,731.20	12/1/2047
	Pathway Homes-4260 Buckman Road #56	11/6/2017	700189672	97,232.51	12/1/2047
	Pathway Homes-4357 Americana Drive #101	4/28/2016	700169503	120,113.90	5/1/2046
	Pathway Homes-4303 Americana Drive #204	1/24/2018	700189694	132,658.89	2/1/2048
	Pathway Homes-6176 Greenwood Drive #2	11/17/2016	700169565	137,999.16	12/1/2046
	Pathway Homes 4116 Mangalore Drive #204	5/9/2016	700169564	134,930.58	6/1/2046
	Pathway Homes 7753 Patriot Dr #13	4/3/2018	700189714	153,861.11	5/1/2048
	Pathway Homes-6620 Wakefield Drive	12/5/2016	700169566	150,408.14	1/1/2047
	Powell Valley Village Apartments	12/20/2018	700179616	235,690.00	1/1/2039
	Stonebriar	3/30/2016	700156337	200,000.00	4/1/2046
	Studios II	6/27/2016	700169568	750,000.00	7/1/2036
	The Summit (Langston Park)	11/30/2016	700169561	673,000.00	10/1/2036
	Tranquility at the Lakes	6/2/2018	700189730	500,000.00	7/1/2038
	Total			<u>10,363,746.60</u>	

<b>D</b>	Miscellaneous Receivables -	
	Interest Receivable - Investments	3,276.10
	Interest Receivable - MF Mortgage Loans	<u>17,181.11</u>
		<u>20,457.21</u>

Misc Receivable Detail -  
Interest Accrued on investment balance for the month of September '19.

<b>E</b>	VHTF P&I Liabilities	
	21730-VHTFND-GFVHT - MF VHT Fund P& I Liability	<u>29,618.41</u>

VHDA received the September '19 payments.  
VHDA will send remittance to DHCD in October '19.

<b>F</b>	Due to DHCD detail - properties funded for VHT	
	Pathways Homes net remaining fund balance from April 2016 receipt	5,050.00
	Pathways Homes net remaining fund balance from October 2017 receipt	4,100.00
	Pennington GAP receipt December '18	340,000.00
	Baker School receipt January '19	527,627.00
	Old Prices Fork Phase II receipt March '19	1,265,250.00
	Columbia Hills East receipt September '19	750,000.00
	Total	<u>2,892,027.00</u>
<b>G</b>	Other Liabilities -	
	21800-VHTFND-GFVHT - Misc Current Liabilities	<u>0.00</u>

**Note**

1 September remittance of August P&I did not get approved for release until October 2019.

**VIRGINIA HOUSING TRUST FUND**  
**Statement of Net Position**  
**As of September 30, 2019**  
**Unaudited**

**Assets:**

Cash 1	\$ (10,173.29)
Investments - Net	2,982,200.00
Mortgage Loans Receivable	10,363,746.60
Interest Receivable - Investments	3,276.10
Interest Receivable - Mortgages	17,181.11
	<hr/>
<b>Total Assets</b>	<b><u>\$ 13,356,230.52</u></b>

**Liabilities and Net Position:**

VHTF P&I Liabilities	\$ 29,618.41
Due to DHCD	2,892,027.00
Yearly Management Fee Due to VHDA	-
<b>Total Liabilities</b>	<b><u>2,921,645.41</u></b>
Net Position (previously held by VPRF)	11,230.00
Net Position (held by VHFT)	10,423,355.11
<b>Total Net Position</b>	<b><u>10,434,585.11</u></b>
	 <hr/>
<b>Total Liabilities and Net Positions</b>	<b><u>\$ 13,356,230.52</u></b>

Note

1 September remittance of August P&I did not get approved for release until October 2019.

**VIRGINIA HOUSING TRUST FUND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Month Ended September 30, 2019 and Fiscal Year to Date**  
**Unaudited**

<u>Revenues:</u>	<u>Month</u>	<u>Year To Date</u>
MF Home Interest	\$ -	\$ -
Interest Income - Investments	3,832.60	12,011.26
Management Fee Contribution from VHDA	-	60,837.00
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>3,832.60</b>	<b>72,848.26</b>
	<hr/>	<hr/>
<u>Expenses</u>		
Fund Management Fee	-	-
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
Excess of Revenues over Expenses	<b>\$ 3,832.60</b>	<b>\$ 72,848.26</b>
	<hr/>	<hr/>
Beginning Net Position (previously held by VPRF)	-	11,230.00
Beginning Net Position	-	10,301,924.33
VHT Fund Decrease <sup>1</sup>	(4,585.64)	(13,745.48)
Fund Contribution (Distribution)	-	62,328.00
	<hr/>	<hr/>
<b>Ending Net Position</b>		<b>\$ 10,434,585.11</b>
		<hr/> <hr/>

<sup>1</sup> Note: The decrease in fund is due to Principal collected on loans for September '19.



**VIRGINIA HOUSING TRUST FUND**  
**Change in Net Position**  
**For the Month Ended September 30, 2019 and Fiscal Year to Date**  
**Unaudited**

<u>Change in Net Position</u>	<u>Month</u>	<u>Year To Date</u>
<b>Beginning Balance</b>	\$ -	\$ 11,230.00
<b>Beginning Balance VHFT</b>		<u>10,301,924.33</u>
<b>Total Beginning Balance</b>		<u><u>10,313,154.33</u></u>
 <b>Fund Increases:</b>		
Interest Income - Investments	3,832.60	12,011.26
Fund Contributions from VHDA - Management Fee	-	60,837.00
Fund Contributions	-	<u>62,328.00</u>
<b>Total Increase</b>	<u>3,832.60</u>	<u>135,176.26</u>
 <b>Fund Decreases:</b>		
VHT Fund Decrease 1	4,585.64	13,745.48
Fund Distributions	-	-
Fund Management Fee	-	<u>-</u>
<b>Total Decreases:</b>	<u>4,585.64</u>	<u>13,745.48</u>
 <b>Net Change</b>	 <u>\$ (753.04)</u>	 <u>121,430.78</u>
 <b>Ending Net Position</b>		 <u><u>\$ 10,434,585.11</u></u>

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2019 and 2018

**U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program**

The Authority serves as an administrator for 36 HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did not receive nor disburse pass-through grants during the year ended June 30, 2019. The Authority received and disbursed pass-through grants totaling \$615,116 during the year ended June 30, 2018.

**(u) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund**

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund. The balances associated with the Fund are recorded in assets and liabilities in the amounts of \$9,510,952 and \$7,693,336 as of June 30, 2019 and 2018, respectively.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops the program guidelines and the Authority acts as administrator for the Trust Fund. The balances associated with the Trust Fund are recorded in assets and liabilities in the amounts of \$12,700,644 and \$8,747,807 as of June 30, 2019 and 2018, respectively.

Effective during the fiscal year ended June 30, 2019, the Authority became the custodial administrator for the National Housing Trust Fund on behalf of DHCD. The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008, it exclusively targets to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process. The balances associated with the National Trust are recorded in assets and liabilities in the amount of \$1,631,870 as of June 30, 2019.

**(v) Cash Equivalents**

Cash equivalents consist of highly liquid short-term instruments with original maturities of three months or less from the date of purchase and are recorded at amortized cost. Cash equivalents include commercial paper, repurchase agreements, money-market securities, and other short-term instruments.

**(w) Rebutable Arbitrage**

Rebutable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated annually.

(Continued)

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)  
Schedule of Net Position Held on Behalf of Virginia Housing Trust Fund  
(unaudited)  
June 30, 2019

Assets	<u>General operating accounts</u>
Cash	\$ 1,513
Investments	2,364,800
Mortgage loans Receivable	10,315,164
Interest receivable – mortgage loans	15,977
Interest receivable – investments	<u>3,190</u>
	<u>\$ 12,700,644</u>
<b>Liabilities and Net Position</b>	
Due to Virginia Housing Development Authority	60,837
Due to Virginia Department of Housing and Community Development	2,298,809
Other liabilities	27,844
Net position	<u>10,313,154</u>
	<u>\$ 12,700,644</u>

See accompanying independent auditors' report.

Schedule 10

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
 (A Component Unit of the Commonwealth of Virginia)  
 Schedule of Revenues, Expenses, and Changes in Net Position Information  
 Virginia Housing Trust Fund  
 (unaudited)  
 Year ended June 30, 2019

	Revenues	General operating accounts
Investment income		\$ 31,134
Grants received		<u>48,788</u>
Total revenues		<u>79,932</u>
	Expenses	
Fund management fee		<u>60,837</u>
Net expenses over revenue		19,095
Net fund contributions/(distributions) for the year		2,054,126
Net position at beginning of year		<u>8,239,933</u>
Net position at end of year		<u>\$ 10,313,154</u>

See accompanying independent auditors' report.



KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Commissioners  
Virginia Housing Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia  
September 12, 2019