

**Virginia Housing Trust Fund
Structure and Use Plan and
Loan and Grant Fund Impacts
FY 2022 Update**

The following report complies with the requirements as specified in: HB 1800 (2021, Special Session I), Budget Item 113.E.3 and §36-142 E of the Code of Virginia.

As part of the plan required by § 36-142 E., Code of Virginia, the department shall also report on the impact of the loans and grants awarded through the fund, including but not limited to: (i) the number of affordable rental housing units repaired or newly constructed, (ii) the number of individuals receiving down payments and/or closing assistance, (iii) the progress and accomplishments in reducing homelessness achieved by the additional support provided through the fund, and (iv) the progress in expanding permanent supportive housing options.

Purpose and Background

The Biennium Budget for 2020-2022 (Special Session I, 2021) allocated \$70,700,000 in the first year and \$55,000,000 in the second year to fund activities through the Virginia Housing Trust Fund (VHTF). This included an additional allocation to provide funding for the Virginia Rent and Mortgage Relief Program. This is an increase from the 2018-2020 Biennium Budget, which allocated \$11,000,000 for the first year and \$14,000,000 for the second year to support the activities of the VHTF.

Pursuant to provisions included in the Biennium Budget related to the COVID 19 pandemic, certain prescribed budget allocation requirements were allowed to be temporarily adjusted to meet the needs of the pandemic. As such, the historic requirement that 80 percent of funds be used for short, medium, and long-term loans to reduce the cost of homeownership and rental housing was temporarily adjusted to 60 percent by the Board of Housing and Community Development. The remaining 40 percent of the VHTF was used to provide grants for targeted efforts to reduce homelessness. The Board returned the allocation to 80 percent loans and up to 20 percent grants in 2021 because of the need to focus on the production of more affordable housing.

The entities charged with administering the VHTF—the Department of Housing and Community Development (DHCD) and Virginia Housing (previously named Virginia Housing Development Authority)—have extensive experience in implementing the activities needed to carry out the provisions of the VHTF. Virginia Housing 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. DHCD and Virginia Housing worked collaboratively to implement the provisions of the Virginia Housing Partnership Revolving Fund, which was the predecessor to the VHTF. Both DHCD and Virginia Housing 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 VHTF identified leveraging as an important component of its operation.

Structure of the Virginia Housing Trust Fund

Significant stakeholder input was gathered leading up to the development of the initial VHTF framework. Building on this foundation, input sessions were held in March 2021 to gather feedback. Invitations were broadly extended to DHCD grantees and partners as well as posted on the department’s website. DHCD held virtual input sessions due to Covid-19 restrictions. Sessions were organized by region, but open to all.

Input Sessions	
<i>Where</i>	<i>When</i>
Southwest/West Central	March 8, 2021
Central/Southside	March 9, 2021
Northern/Valley	March 10, 2021
Eastern/Hampton Roads	March 11, 2021

In addition, Virginia Homeless Services input sessions are held every other year and were held in October 2021. Attendees were asked for feedback specific to the Virginia Homeless Reduction Grants (funded through the VHTF).

Virginia Homeless Services: Input Sessions	
<i>Where</i>	<i>When</i>
Eastern/Hampton Roads	October 13, 2021
Northern/Valley	October 14, 2021
Central/Southside	October 19, 2021
Southwest/West Central	October 20, 2021

Parameters of the Housing Trust Fund

The 2012 Budget Bill (Special Session I) included language establishing the basic parameters for the VHTF. These parameters 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 Virginia Housing encourage a variety of responses from eligible applicants so funds are deployed in a timely and strategic

manner and propose to continue to allocate funds through the broad categories shown on the following table.

2021-22 Virginia Housing Trust Fund Allocation	
Loans	
Competitive Loan Pool	\$39,000,000
Vibrant Community Initiative	\$5,000,000
Grants	
Homelessness Reduction Competitive Grant Pool (including Petersburg Pilot - Student Housing Stabilization)	\$8,300,000
Permanent Supportive Housing – Predevelopment Grants	\$500,000
Administration	\$2,200,000
Total	\$55,000,000

At the time of this report (November 2021), applications for the 2020-2021 VHTF competitive loan pool and homeless reduction grants are being received and will be evaluated in November.

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 previous experience with the VHTF and the Virginia Housing Partnership Fund, the housing agencies have determined Virginia Housing will assist in providing the underwriting services needed to implement the key provisions of loans made through this program. DHCD, with the participation of Virginia Housing, 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.

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 permanent supportive housing options for persons with disabilities (including housing for people with serious mental illness and funding that could aid the state response to the U.S. Department of Justice settlement) and expanding permanent housing opportunities for persons experiencing homelessness. DHCD uses a consolidated application process, which allows applicants to apply for five sources of funding with one application. The Affordable and Special Needs Housing Consolidated Application combines VHTF monies with Federal HOME and Federal Housing Trust Fund monies along with Housing Innovations in Energy Efficiency investments. DHCD conducted How-to-Apply workshops for the Consolidated Application in the fall of 2021 and set proposal due dates for October 31, 2021 and March 31, 2022.

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 Virginia Housing 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 (household income at or below 50 percent area median income or AMI) citizens, while giving priority to projects that address critical housing needs mentioned in the previous paragraph 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 the Low Income Housing Tax Credit (LIHTC) program and other federal and local housing programs such as HOME and the Community Development Block Grant (CDBG) program.

DHCD will use a competitive process to select projects for funding. The maximum VHTF amount available to a single project is capped at \$700,000 for affordable housing projects and \$900,000 for projects providing permanent supportive housing units. The criteria used to evaluate projects for funding will include the following: (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.

Homeless Reduction Grant Program

Up to 20 percent of the funds allocated to the VHTF are permitted for the reduction of homelessness. The Homeless Reduction Grant funds may be used for temporary rental assistance, not to exceed one year, housing stabilization services in permanent supportive housing for the chronically homeless, and predevelopment assistance for permanent supportive housing for the chronically homeless. In accordance with budget language, priority consideration will be given to efforts to reduce the number of homeless youth and families.

DHCD will select projects based on need, approach, local coordination, and capacity. As with the loan program, projects will be selected for funding through a competitive application process. Applicants may apply for the amount needed to administer the project, DHCD does not anticipate entering into grant agreements for less than \$50,000. The application period occurs annually in the Fall and this year in December. 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.

Organizations Eligible for Virginia Housing Trust Fund Allocations

Several types of organizations are specified in the Code and guidelines as being eligible to receive funding through the VHTF; local governments, local housing and redevelopment authorities, regional or statewide organizations providing affordable housing and homeless assistance/services to Virginia residents, and holding companies expressly created for owning and operating affordable housing are deemed eligible to apply for VHTF monies. 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.

Collaboration across State Agencies

Over the past several years, DHCD has partnered with Virginia Housing and state agencies within the Health and Human Resources Secretariat; including the Department of Behavioral Health and Developmental Services, Department of Medical Assistance Services, Department for Aging and Rehabilitative Services, Virginia Department of Health, Department of Social Services and the Department of Veterans Services to coordinate efforts and leverage resources to increase housing options for people with serious mental illness, people with intellectual and

other developmental disabilities, and people who are chronically homeless. These efforts focus primarily on the development of additional permanent supportive housing (PSH) units. The VHTF has been used to construct new or rehabilitate existing housing into PSH units. In addition, the VHTF provides funding for pre-development activities of PSH units and to provide supportive services for those experiencing homelessness. These efforts have been bolstered by Governor Northam's issuance of Executive Order 25, which calls for the creation of additional PSH units.

Virginia Housing Trust Fund Administration and Management

Funding for the VHTF is included in DHCD's budget. DHCD works in collaboration with Virginia Housing to carry out the provisions of the VHTF. DHCD and Virginia Housing have a proven record of accomplishment in 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 Virginia Housing. 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. Virginia Housing provided underwriting services and originated and serviced loans.

Based on the model of the Partnership Fund, DHCD and Virginia Housing jointly determine the policy parameters of the Housing Trust Fund. Specific aspects of the VHTF 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. Virginia Housing, 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 2022-2022 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 four funding sources available through a single application. Additionally, as previously noted, overall

allocation amounts between grants and loans were temporarily adjusted to address the most urgent housing needs associated with the COVID 19 pandemic.

Evaluation and Analysis of Outcomes

The 2020-2022 Biennium Budget incorporated the requirement for reporting on the performance of the Virginia Housing Trust Fund. Section 113.E.3 of the Budget requires that the following outcomes are reported:

As part of the plan required by § 36-142 E., Code of Virginia, the department shall also report on the impact of the loans and grants awarded through the fund, including but not limited to: (i) the number of affordable rental housing units repaired or newly constructed, (ii) the number of individuals receiving down payments and/or closing assistance, (iii) the progress and accomplishments in reducing homelessness achieved by the additional support provided through the fund, and (iv) the progress in expanding permanent supportive housing options.

The number of individuals receiving down payment and/or closing assistance is not included in the reporting as it has not been included in the program design for the VHTF. This is consistent with the creation of the VHTF as the enabling legislation states the VHTF *may* provide funds to be used for down payment and closing cost assistance for homebuyers. The agencies anticipate that additional outcome measures will include housing units provided, with a special focus on units provided to hard-to-serve target populations; services provided to support reducing homelessness; and the degree to which other financial resources can be leveraged for housing.

Both public input and the perspectives of state agencies with concerns about housing for a number of special needs categories expressed the desire to see resources directed toward areas of need addressed through crosscutting state policies. Improved interagency collaboration and communication has clearly indicated a pervasive lack of affordable housing impedes progress on a range of state policies. The evaluation will examine the extent to which the Trust Fund is able to facilitate progress in addressing areas of priority need.

Summary of 2020-21 Utilization

2020-2021 Virginia Housing Trust Fund Allocation	
Loans	
Competitive Loan Pool	\$23,803,200
Grants	
Homeless Reduction Grant Pool	\$15,368,800
Rent and Mortgage Relief Program	\$28,200,000
Permanent Supportive Housing –Predevelopment Grant	\$500,000
Administration	\$2,828,000
Total	\$70,700,000

2020-2021 Demand Summary

- For the 2020-2021 program year Homeless Reduction Grants were temporarily increased from 20 to 40 percent of the VHTF in order to respond to Covid
- Approximately \$42.23 million requested for the \$24.6 million in the Competitive Loan Pool funds
 - o 66 applications
 - o 40 awarded
- Over \$6.4 million requested for \$15.3 million in Homeless Reduction Grants
 - o Balance to be awarded through the Competitive Loan Pool
 - o 35 applicants
 - o 37 awards
 - o 2 of the 37 awards are renewals for pilots projects in the cities of Richmond and Petersburg

Summary Points for FY 2020-21

- More than \$24.6 million in VHTF resources invested in creating or preserving affordable housing (this included some unused homeless reduction grant funds)
 - o Many projects serving very low and extremely low income populations that 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 \$24.6 million invested to leverage \$648.9 million in other resources
 - o 2,835 affordable units will be created or preserved
 - o 25 projects with permanent supportive housing (PSH) units
 - o 383 PSH units
- \$28.2 million used for Covid rent relief through the Rent Mortgage Relief Program
- 859 households were assisted through the homeless reduction and permanent supportive housing (PSH) assistance
 - o RRH – 477 households
 - o PSH – 382 households

Appendix A: Code of Virginia – Creation and Management of the Fund & Budget Reporting Requirements

§ 36-142. Creation and management of Fund.

A. There is hereby established in the state treasury a special permanent, non-reverting fund, to be known as the "Virginia Housing Trust Fund." The Fund shall be established on the books of the Comptroller and consist of sums appropriated to the Fund by the General Assembly, all receipts by the Fund from loans made by it to housing sponsors and persons and families of low and moderate income, all income from the investment of moneys held in the Fund, and any other sums designated for deposit to the Fund from any source, public or private. The Fund shall also consist of such other sums as may be made available to it and shall include federal grants solicited and received for the specific purposes of the Fund and all interest and income from investment of the Fund. Any sums remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. All moneys designated for the Fund shall be paid into the state treasury and credited to the Fund.

B. The Department shall:

1. Work in collaboration with the HDA to provide loan origination and servicing activities as needed to carry out the purposes of the Fund. The costs of such services shall be considered an eligible use of the Fund; and
2. Use, through HDA, at least 80 percent of the moneys from the Fund to provide flexible financing for low-interest loans through eligible organizations. Such loans shall be structured to maximize leveraging opportunities. All such funds shall be repaid to the credit of the Fund. Loans may be provided for (i) affordable rental housing to include new construction, rehabilitation, repair, or acquisition of housing to assist low or moderate income citizens, including land and land improvements; (ii) down payment and closing cost assistance for homebuyers; and (iii) short-term, medium-term, and long-term loans to reduce the cost of homeownership and rental housing. Moneys required by the HDA to fund such loans and perform loan closing and disbursement services shall be transferred from the Fund to the HDA. The Department may use up to 20 percent of the moneys from the Fund to provide grants through eligible organizations for targeted efforts to reduce homelessness, including (a) temporary rental assistance, not to exceed one year; (b) housing stabilization services in permanent supportive housing for homeless individuals and homeless families; (c) mortgage foreclosure counseling targeted at localities with the highest incidence of foreclosure activity; and (d) predevelopment assistance for permanent supportive housing and other long-term housing options for the homeless.

C. The Fund shall be administered and managed by the Department as prescribed in this chapter. In order to carry out the administration and management of the Fund, the Department is granted the power to contract with or employ officers, employees, agents, advisers and consultants, including, without limitation, attorneys, financial advisers, public accountants,

engineers and other technical advisers and, the provisions of any other law to the contrary notwithstanding, to determine their duties and compensation without the approval of any other agency or instrumentality. The Department may disburse from the Fund its reasonable costs and expenses incurred in the administration and management of the Fund, including reasonable fees and costs of the HDA.

D. For the purposes of this section, eligible organizations include (i) localities, (ii) local government housing authorities, (iii) regional and statewide housing assistance organizations that provide assistance to low and moderate income or low income citizens of Virginia, and (iv) limited liability companies expressly created for the purpose of owning and operating affordable housing.

E. In any year prior to the expenditure of any general funds appropriated for the Fund for the next succeeding fiscal year, the Department, in conjunction with HDA, shall submit a plan outlining the proposed uses of such funds to the General Assembly. The plan shall be provided to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance no later than November 1 of each year.

HB 1800, Budget Item 113, Housing Assistance Services (Chapter 552 of the 2021 Appropriation Act, Special Session I).

E.1. Out of the amounts in this Item, \$70,700,000 the first year and \$55,000,000 the second year from the general fund shall be deposited to the Virginia Housing Trust Fund, established pursuant to § [36-142](#) et seq., Code of Virginia. Notwithstanding § [36-142](#), Code of Virginia, when awarding grants through eligible organizations for targeted efforts to reduce homelessness, priority consideration shall be given to efforts to reduce the number of homeless youth and families and to expand permanent supportive housing. Notwithstanding § [36-142](#), Code of Virginia, the department may use funds appropriated in paragraph E.1. of this Item to address housing issues resulting from the COVID-19 pandemic, with the exception of monies provided for the continuation of the Virginia Rent and Mortgage Relief Program in paragraph E.2.

2. Out of the amounts appropriated in paragraph E.1., \$28,200,000 in the first year from the general fund is hereby designated to continue the Virginia Rent and Mortgage Relief Program when monies allocated from the Coronavirus Relief Funds awarded to the Commonwealth through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) expire. In addition to the amounts designated in this paragraph, it is the intent of the General Assembly that the Department use additional funds, if necessary, from the amounts appropriated in paragraph E.1. to sustain the Virginia Rent and Mortgage Relief Program, during the declared state of emergency pursuant to § [44-146.17](#), Code of Virginia, in response to a communicable disease of public health threat as defined in § [44-146.16](#), Code of Virginia.

3. As part of the plan required by § [36-142](#) E., Code of Virginia, the department shall also report on the impact of the loans and grants awarded through the fund, including but not limited to: (i) the number of affordable rental housing units repaired or newly constructed, (ii) the number of individuals receiving down payments and/or closing assistance, (iii) the progress and

accomplishments in reducing homelessness achieved by the additional support provided through the fund, and (iv) the progress in expanding permanent supportive housing options.

4.a. In administering the funds appropriated in paragraphs B.1. and B.2. of Item 479.10 for the Virginia Rent and Mortgage Relief Program, the Department shall allow for financial assistance to cover one-hundred percent of current and past due rent included in the application for rental assistance. The financial assistance supported with funds in paragraphs B.1. and B.2. of Item 479.10 for the Virginia Rent and Mortgage Relief Program shall cover the period between April 1, 2020 and expiration of the Coronavirus Relief Funds awarded to the Commonwealth through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

b. In administering the funds appropriated in paragraph E.2. of this item for the Virginia Rent and Mortgage Relief Program, the Department shall allow for financial assistance to cover one-hundred percent of current and past due rent included in the application for rental assistance. At such time the general funds provided in paragraph E.2. of this item are deployed, the Department may allow for financial assistance to be used to cover past due rent accumulated prior to April 1, 2020.

c. Landlords and tenants shall be able to access the funds appropriated in paragraph E.2. of this item and paragraphs B.1. and B.2. of Item 479.10 for the Virginia Rent and Mortgage Relief Program.

Appendix B: Housing Trust Fund Snapshot 2021-2022 Allocation

Trust Fund Components & Features	Grants	Loan		Totals
	Homelessness Reduction	Vibrant Community Initiative	Competitive Loan Pool	
Purpose	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 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 sustainability and leveraging. <i>Prioritize projects serving special needs populations—ID/DD, Severe mental illness, Permanent Supportive Housing</i>	
Funding Available	\$8,800,000 Includes \$500,000 for PSH Pre-development Grants	\$5,000,000	\$39,000,000	\$55,000,000 (\$2,200,000 Administration)

Project Caps	None – based on need Predevelopment Grants \$100,000		\$700,000 per affordable housing project/ \$900,000 for projects providing PSH	
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