

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

**The Virginia Housing Trust Fund Loan and Grant Fund Impacts  
*and the*  
FY 2026 Structure and Use Plan**

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**Submitted by:  
The Department of Housing and Community Development  
November 2025**

## **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 Chairs of the House Appropriations and the Senate Finance and Appropriations Committees.

In accordance with the requirement of § 36-150 of the Code of Virginia,<sup>1</sup> DHCD presents the following document, which includes two sections. Part I reviews the current allocation of funds for VHTF activities and the impacts of funds allocated in 2023-2024, as well as changes to the VHTF program design from the previous program year. Part II updates information concerning the financial status of the Virginia Housing Partnership Revolving Fund, presently administered by Virginia Housing. The latter section continues the format used during previous years in accordance with the former statute and incorporates materials provided by Virginia Housing's independent auditor, KPMG LLP.

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

## Part I: The Virginia Housing Trust Fund

### Purpose and Background

The Biennium Budget for 2024-2026 (Special Session I, 2024) allocated \$87,500,000 in the first year and \$87,500,000 in the second year to fund activities through the Virginia Housing Trust Fund (VHTF). This is an increase from the 2022-2024 Biennium Budget, which allocated \$75,000,000 in the first year and \$75,000,000 in the second year 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 VHTF—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. For more than two decades, Virginia Housing has originated and serviced loans through its bond and revenue programs, developed its own internal housing and lending program policies, and serviced loans made with federal funds administered by DHCD. While Virginia Housing is not a state agency, its board, like DHCD's, is subject to gubernatorial appointments.

Further, DHCD and Virginia Housing worked collaboratively to implement the provisions of the Virginia Housing Partnership Revolving Fund, the predecessor to the VHTF. Both DHCD and Virginia Housing are skilled at packaging affordable housing projects that include a range of funding sources to leverage their resources. In fact, the budget language creating the VHTF identified leveraging as an important component of its operation.

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

Significant stakeholder input shaped the development of the initial VHTF framework. Building on this foundation, DHCD held regional in-person input sessions during November and December 2024 to collect feedback from affordable housing, homeless services, and community development stakeholders. Attendees were queried about the design and structure of the Affordable and Special Needs Housing (ASNH) and Homeless and Special Needs Housing (HSNH) programs, which administer the VHTF Competitive Loans and Homeless Reduction Grants, respectively.

Regional Public Input Sessions	
<i>Location</i>	<i>Date</i>
Virtual (Southwest VA)	November 21, 2024
Richmond, VA	December 2, 2024
Woodbridge, VA	December 5, 2024
Hampton Roads, VA	December 10, 2024
Virtual (statewide)	December 12, 2024

Additional input sessions were held during May and June 2025 to gather feedback on potential changes to the ASNH Competitive Application for fiscal year (FY) 2026. DHCD extended invitations broadly to DHCD grantees, partners, and the public, as well as posting invitations on the Department’s website and in statewide news publications. More than 60 individuals participated in these sessions.

ASNH Public Input Sessions	
<i>Location</i>	<i>Date</i>
Arlington, VA	May 7, 2025
Varina, VA	May 8, 2025
Newport News, VA	May 13, 2025
Virtual	May 22, 2025
Varina, VA	June 23, 2025
Virtual	June 26, 2025

Moreover, DHCD sought input from homeless services stakeholders across Virginia. During the Virginia Governor’s Housing Conference in November 2024, DHCD held consultations with individuals representing each of the Commonwealth’s 16 Continuums of Care. Attendees were asked for feedback specific to the VHTF Homeless Reduction Grants. In addition to collecting feedback from stakeholders, DHCD collaborates with peer organizations to assure strategic use of VHTF resources. 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, 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.

### **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 allocate VHTF resources into the categories listed in the table below. For fiscal year 2025-2026, the agencies propose to continue to allocate funds between these broad categories.

FY 2026 Virginia Housing Trust Fund Allocation	
<b>Loans</b>	
Competitive Loan Pool	\$70,500,000
<b>Grants</b>	
Homelessness Reduction Competitive Grant Pool	\$14,000,000
<b>Administration</b>	\$3,000,000
<b>Total</b>	\$87,500,000

At the time of this report (December 2025), applications for the 2025-2026 VHTF Competitive Loan Pool and Homeless Reduction Grants are being evaluated. Please note that any funding not utilized under the Permanent Supportive Housing-Homeless Reduction Grants will be allocated to the competitive loan pool the ASNH program administers at DHCD.

#### **Affordable Housing Loan Program (Competitive Loan Pool)**

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 per § 36-142 Code of Virginia. DHCD makes this portion of the VHTF funding available through the ASNH program, which offers developers of rental housing and for-sale homes the opportunity to apply for multiple sources of state and federal funding through a single application round opened twice each year. In FY 2025, the application deadline for ASNH funding was November 1, 2024, and How-to-Apply workshops were conducted on October 8, 2024, to provide guidance and technical assistance to prospective applicant teams.

DHCD uses a competitive process to select projects for funding. In addition to VHTF, DHCD administers funding from the federal program HOME Investment Partnerships and the National Housing Trust Fund. VHTF requests are capped at \$2,000,000 for affordable rental housing projects and \$700,000 for affordable homeowner housing projects. Please note that applicants for rental housing projects are eligible for an additional \$1,000,000 of federal funding between the HOME and NHTF programs.

The criteria used to evaluate projects for funding includes 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 ranks competitive project applications using a standardized review with a 100-point scale; projects must score at least 60 points to be eligible for funding. DHCD makes funding offers to the highest scoring projects in descending order until available funds are exhausted or all projects scoring above 60 points have been funded. Applicants may be asked to provide additional information to finalize funding offers. Property funded through a VHTF loan is subject to a lien intended to ensure its

continued use as targeted, affordable housing during a specified period. The outstanding balance on the loan is due in the event the affordability period is not met.

The ASNH program accommodates a variety of possible projects, and the program design is updated annually to reflect a changing real estate market and the Commonwealth's housing priorities and initiatives. One such priority is the needed increase in available housing options for Virginians with serious mental illness to support the state response to the U.S. Department of Justice Settlement Agreement and the Governor's Right Help, Right Now initiative. In FY 2025, rental housing developments that included supportive housing, such as those with a first leasing preference or a percentage of units offered first to individuals with intellectual or developmental disabilities and rental assistance from the Department of Behavioral Health and Developmental Services (DBHDS), received a scoring preference and were eligible for an increased VHTF award.

The competitive loan pool scores projects from 0 to 100 points in three primary categories:

- The proposed development's ability to impact critical local housing needs (40 points),
- Proposed project readiness and feasibility (30 points), and
- The application team and developer's capacity for completion and compliance (30 points).

Looking to FY 2026, DHCD anticipates that most of the funds in the competitive loan pool will continue to be used to provide low-interest loans that are structured to meet the financing needs of rental housing development projects, and DHCD will continue to give scoring preference to projects that address critical housing needs and policy priorities, such as the inclusion of permanent supportive housing first leasing preference units.

To ensure the long-term viability of affordable rental projects, DHCD will continue to give priority consideration to projects that have an identified strategy for financial sustainability, such as providing project-based rental assistance to income-qualified tenants. In keeping with the direction that the loans provide flexible financing, DHCD sets repayment rates and terms for each individual loan from the VHTF, and for FY 2026 offers as low as 0% interest-only payments. 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 administered by Virginia Housing and other federal and local housing programs such as HOME Investment Partnerships Program, the National Housing Trust Fund, the Home Investment Partnerships American Rescue Plan Program, and the Community Development Block Grant program.

### **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 \$25,000. The application period occurs annually during the middle of summer and applications are reviewed through early fall. 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 points 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. Other eligible organizations may also contract 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**

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 to improve the quality and affordability of housing throughout the Commonwealth. The Partnership Fund 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 VHTF. 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 more than 50 years of 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 30 years of 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.

### **Evaluation and Analysis of Outcomes**

The 2024-2026 Biennium Budget incorporated the requirement for reporting on the performance of the Virginia Housing Trust Fund. Section 102.E.2 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 is not 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 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 VHTF is able to facilitate progress in addressing areas of priority need.



## Summary of FY 2025 Utilization

FY 2025 Virginia Housing Trust Fund Allocation	
<b>Loans</b>	
Competitive Loan Pool	\$70,500,000
<b>Grants</b>	
Homeless Reduction Grant Pool	\$14,000,000
<b>Administration</b>	\$3,000,000
<b>Total</b>	\$87,500,000

### *FY 2025 Summary for Competitive Loan Pool*

- Approximately \$116.3 million was requested for the \$75 million VHTF made available in the Competitive Loan Pool;<sup>2</sup> ASNH overall had \$221 million requested with \$158 million available across all sources.
  - o 70 applications requested VHTF.
  - o 41 developments were awarded VHTF.
  - o Many projects will serve very low and extremely low-income populations that are very hard to serve, such as chronically homeless and individuals with intellectual and developmental disabilities.
- The Competitive Loan Pool created and preserved affordable housing units.
  - o \$75 million invested to leverage more than \$2.1 billion in other resources
  - o 2,969 affordable units will be created or preserved.
  - o 17 projects with Permanent Supportive Housing (PSH) units for a total of 184 PSH units created.
- VHTF assisted in expanding affordable homeownership with 3 of the 41 awarded projects, creating 25 for-sale units.

### *FY 2024 Summary for Homeless Reduction Grants (HRG)*

- Over \$18.5 million requested for \$12 million was made available for Homeless Reduction Grants in FY2024
  - o 72 applications
  - o 55 awards
- Homeless Reduction Grant contracts follow the calendar year from January 1 – December 31. Final CY 2025 service numbers will be reported in next year's report.
- CY 2024 is the last complete year of Homeless Reduction Grant implementation. During CY 2024, the following households were served:
  - o 26 Rapid Rehousing projects served 1,283 households.
  - o 20 PSH projects served 1,001 households.
  - o 9 Underserved Population Innovation projects served 377 households.

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<sup>2</sup> Please note: the amount of funding available in the Competitive Loan Pool in FY2025 differs from the amount provided in the annual allocation because of accrued interest from previously issued loans.

- A total of 2,661 households experiencing homelessness were served during CY 2024 with Homeless Reduction Grant funding.

## Appendix B: Housing Trust Fund Snapshot FY 2025 Allocation

Trust Fund	Grants	Loans	Totals
Components & Features	Homelessness Reduction	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 CoC.	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.  Prioritize projects serving special needs populations— ID/DD, Severe mental illness, Permanent Supportive Housing	
<b>Funding Available</b>	\$14,000,000	\$70,500,000	\$87,500,000  (\$3,000,000 Administration)
<b>Project Caps</b>	None – based on need.	\$2,000,000 per rental housing project/ \$700,000 for homeowner housing projects	