

Fund 40360

Homeowner and Business Loan Programs

Mission

The overall goals of the Homeowner and Business Loan Programs are to enhance the quality of life and economic base of the County by providing support for homeownership, to repair and upgrade existing housing, and to assist small and minority businesses.

Focus

Fund 40360, Homeowner and Business Loan Programs, is composed of the following programs designed to meet the agency mission as detailed below:

- ◆ The First-Time Homebuyers Program (FTHB) is designed to provide affordable homeownership opportunities for families with low to moderate incomes who otherwise could not afford to purchase a home. The Moderate Income Direct Sales (MIDS) program, as established in 1978, acquired or constructed units sold by the Fairfax County Redevelopment and Housing Authority (FCRHA) to families with moderate incomes by providing second trust loans provided to make the loan amounts affordable. The resale price of the unit is limited, and the FCRHA has the right of first refusal when the home is resold. Homes resold through this program become FTHB Direct Sales units with thirty-year restrictive covenants. Since 1993, the FCRHA has been marketing units that are provided under provisions of Fairfax County's Affordable Dwelling Unit (ADU) Ordinance. These units also serve households with low and moderate incomes who are purchasing homes for the first time and earn at least \$25,000. Homes range in price from \$80,000 to \$190,000. Restrictive covenants apply that limit the sales price and require owners to occupy the home during the price control period, currently a 30-year period. The FCRHA has the right of repurchase or the right to assign the purchase to a new homebuyer. Applicants for all FTHB programs are required to participate in homeownership education classes and obtain a pre-conditional approval from a lender to purchase a FTHB home.

- ◆ The Fairfax County's ADU Housing Acquisition program was established for the FCRHA to exercise its right of first purchase of ADUs in the extended control period for rental purposes within its Fairfax County Rental Program. Units in the ADU program are subject to various restrictions, including owner-occupancy requirements, price controls upon resale, and the FCRHA's right to acquire the unit in certain circumstances. These restrictions apply to each ADU for a specified period; when this "Initial Control Period" expires, most of these restrictions cease to apply to the unit, but certain limited restrictions remain in effect for an "Extended Control Period".

For the first sale of an ADU during the Extended Control Period, the unit must first be offered to the FCRHA at fair market value before it can be offered to a third party. At the first sale of the ADU in the Extended Control Period – regardless of whether the FCRHA exercises its right to acquire the unit – an equity share is to be contributed to Fund 40300, Housing Trust Fund. The equity share is calculated pursuant to Section 2-812(5) of the ADU Ordinance and generally amounts to one-half of the difference between (i) the net sales price, and (ii) the original purchase price paid by the seller (as adjusted by the Consumer Price Index, plus certain costs of home improvements permitted under the ADU program, if applicable). The ADU Housing Acquisition program has been authorized by the Board of Supervisors to acquire properties that would be used for rental purposes under the Policy for the Acquisition of ADUs in the Extended Control Period adopted by the FCRHA on October 24, 2013.

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- ◆ The Home Improvement Loan Program (HILP) provides loans, grants and materials to individuals with low and moderate incomes for the purpose of home improvements. The HILP program has been significantly down-sized and new HILP loans are now limited to emergency situations. Old loans are repaid, generating revenue to the Fund, but most loans are deferred and repaid when the homeowner decides to sell their home. Grants are provided for low-income elderly or disabled residents through the Home Repair for the Elderly Program to make needed repairs and provide for handicapped accessibility, to prevent displacement, and to allow these individuals to live in safe and sanitary housing.

- ◆ The Small and Minority Business Loan program was initiated in FY 1996, and was expanded to include the receipt of federal funds for the operations of this program which provided loans to qualified small and minority businesses. Program funds were administered by the Community Business Partnership (formerly the South Fairfax Regional Business Partnership, Inc.) through an agreement with the Department of Housing and Community Development. Given the current economic conditions, high administrative cost and low demand for the program, the Small and Minority Business Loan program has been discontinued. The Section 108 loan will be repaid according to scheduled payments. There is no funding requested for this loan in FY 2019, as the debt was fully paid off in FY 2018.

Budget and Staff Resources

Category	FY 2017 Actual	FY 2018 Adopted	FY 2018 Revised	FY 2019 Advertised	FY 2019 Adopted
FUNDING					
Expenditures:					
Personnel Services	\$15,887	\$0	\$0	\$0	\$0
Operating Expenses	1,173,916	2,080,081	4,895,854	2,554,631	\$2,554,631
Total Expenditures	\$1,189,803	\$2,080,081	\$4,895,854	\$2,554,631	\$2,554,631

FY 2019 Funding Adjustments

The following funding adjustments from the FY 2018 Adopted Budget Plan are necessary to support the FY 2019 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 1, 2018.

- ◆ **Moderate Income Direct Sales Program** **\$499,445**
An increase of \$499,445 is associated with the programming of anticipated MIDS program revenue.

- ◆ **Rehabilitation Loans and Grants Program** **\$12,057**
An increase of \$12,057 is primarily based on anticipated FY 2019 program requirements for the Home Repair for the Elderly program.

- ◆ **Business Loan Program** **(\$36,952)**
A decrease of \$36,952 is associated with the discontinuation of the Small and Minority Business Loan program in FY 2019.

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Changes to FY 2018 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2018 Revised Budget Plan since passage of the FY 2018 Adopted Budget Plan. Included are all adjustments made as part of the FY 2017 Carryover Review, FY 2018 Third Quarter Review, and all other approved changes through April 30, 2018.

- ◆ **Carryover Adjustments** **\$2,256,253**
As part of the *FY 2017 Carryover Review*, the Board of Supervisors approved funding of \$2,256,253 due to the carryover of unexpended FY 2017 program balances.

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FUND STATEMENT

Fund 40360, Homeowner and Business Loan Programs

	FY 2017 Actual	FY 2018 Adopted Budget Plan	FY 2018 Revised Budget Plan	FY 2019 Advertised Budget Plan	FY 2019 Adopted Budget Plan
Beginning Balance	\$4,499,065	\$2,743,663	\$4,869,808	\$1,975,036	\$1,975,036
Revenue:					
Program Income (MIDS)	\$1,560,546	\$2,001,082	\$2,001,082	\$2,500,000	\$2,500,000
Total Revenue	\$1,560,546	\$2,001,082	\$2,001,082	\$2,500,000	\$2,500,000
Total Available	\$6,059,611	\$4,744,745	\$6,870,890	\$4,475,036	\$4,475,036
Expenditures:					
Moderate Income Direct Sales Program (MIDS)	\$1,101,623	\$2,000,555	\$3,923,349	\$2,500,000	\$2,500,000
Affordable Dwelling Unit Housing Acquisition	2,310	0	797,690	0	0
Rehabilitation Loans and Grants	47,031	42,574	130,973	54,631	54,631
Business Loan Program	38,839	36,952	43,842	0	0
Total Expenditures	\$1,189,803	\$2,080,081	\$4,895,854	\$2,554,631	\$2,554,631
Total Disbursements	\$1,189,803	\$2,080,081	\$4,895,854	\$2,554,631	\$2,554,631
Ending Balance¹	\$4,869,808	\$2,664,664	\$1,975,036	\$1,920,405	\$1,920,405

¹ Projects are budgeted based on the total program costs and most programs span multiple years. Therefore, funding is carried forward each fiscal year and ending balances fluctuate, reflecting the carryover of these funds.