

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. Moderate Income Direct Sales (MIDS) units, as established in 1978, are 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 FTHB Program provides units as inventory or for resale to homebuyers under provisions of Fairfax County's Affordable Dwelling (ADU) Ordinance with thirty-year restrictive covenants. These units also serve households with low- and moderate-incomes who are purchasing homes for the first time. The resale price of the unit is limited and requires owners to occupy the home during the thirty-year price control period. The FCRHA has the right of first refusal when the home is first sold at the expiration of the price control period. Applicants to the FTHB Program are required to attend an orientation session, participate in homeownership education classes and obtain a pre-conditional approval from a lender as part of the eligibility process to purchase a FTHB home.

Beginning in FY 2019, the FTHB Program was expanded to include for-sale Workforce Dwelling Units (WDUs). These units serve households with income at or below 120 percent of the Washington Metropolitan Statistical Area (MSA) Area Median Income (AMI) as determined annually by the United States Department of Housing and Urban Development (HUD). Home prices are determined based on the income tier to be served (60, 70, 80, 100, or 120 percent AMI). Similarly, the resale price of these units are limited and require owners to occupy the home during the thirty-year price control period. The FCRHA has the right of first refusal when the home is first sold at the expiration of the price control period.

- ◆ 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

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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.

- ◆ 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 2020, as the debt was fully paid off in FY 2018.

FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 program.

- ◆ **Rehabilitation Loans and Grants Program** **\$500**
An increase of \$500 is primarily based on anticipated FY 2020 program requirements for the Home Repair for the Elderly program.

Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, and all other approved changes through December 31, 2018.

- ◆ **Carryover Adjustments** **\$769,706**
As part of the FY 2018 Carryover Review, the Board of Supervisors approved funding of \$769,706 due to encumbered carryover supporting the Moderate Income Direct Sales (MIDS) and Affordable Dwelling Unit (ADU) Housing Acquisition Programs.

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FUND STATEMENT

Fund 40360, Homeowner and Business Loan Programs

| | FY 2018 Actual | FY 2019 Adopted Budget Plan | FY 2019 Revised Budget Plan | FY 2020 Advertised Budget Plan |
|--|-------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| Beginning Balance | \$4,869,808 | \$1,975,036 | \$3,756,762 | \$2,932,425 |
| Revenue: | | | | |
| Program Income (MIDS) | \$2,038,219 | \$2,500,000 | \$2,500,000 | \$2,500,000 |
| Total Revenue | \$2,038,219 | \$2,500,000 | \$2,500,000 | \$2,500,000 |
| Total Available | \$6,908,027 | \$4,475,036 | \$6,256,762 | \$5,432,425 |
| Expenditures: | | | | |
| Moderate Income Direct Sales Program (MIDS) | \$2,504,648 | \$2,500,000 | \$3,225,686 | \$2,500,000 |
| Affordable Dwelling Unit Housing Acquisition | 561,457 | 0 | 30,220 | 0 |
| Rehabilitation Loans and Grants | 48,208 | 54,631 | 68,431 | 55,131 |
| Business Loan Program | 36,952 | 0 | 0 | 0 |
| Total Expenditures | \$3,151,265 | \$2,554,631 | \$3,324,337 | \$2,555,131 |
| Total Disbursements | \$3,151,265 | \$2,554,631 | \$3,324,337 | \$2,555,131 |
| Ending Balance¹ | \$3,756,762 | \$1,920,405 | \$2,932,425 | \$2,877,294 |

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.