



Department of Housing and Community Development

Overview of FY 2011-2012 Budget

To House Appropriations Committee

January 20, 2011

DHCD Mission and Role



- The Department of Housing and Community Development works in partnership to make Virginia's communities safe, affordable, and prosperous places in which to live, work and do business.
 - DHCD works collaboratively with Virginia's communities to help fully develop their economic potential and create a healthy, safe, and affordable living environment.
 - DHCD serves as a pass-through agency for state and federal funding while working with community intermediaries such as community-based organizations, nonprofits, planning district commissions, and local governments.
 - DHCD takes a comprehensive approach to community development rather than focus on single-shot solutions.

Agency Budget



FY 2011		% of Total	FY 2012		% of Total
GF	\$ 38,746,799	32%	GF	\$ 38,047,498	32%
NGF	\$ 81,844,840	68%	NGF	\$ 81,844,840	68%
Total	\$ 120,591,639		Total	\$ 119,892,338	
	\$ 8,950,000	Tax Credits		\$ 8,950,000	
Total	\$ 129,541,639		Total	\$ 128,842,338	

Proposed Adjustments to FY 2011 – FY 2012 GF Budget



<u>FY 2011</u>		<u>FY2012</u>
\$38,746,799	Base from Chapter 874	\$38,047,498
+\$64,930	Governor's Amendments	+\$5,564,930
<u>-\$200,000</u>	Reductions	<u>-\$380,771</u>
\$38,611,729	Adjusted Base	\$43,231,657
<u>+\$ 0</u>	FMFADA pass through	<u>+\$ 1,926,833</u>
\$38,611,729	Introduced Budget	\$45,158,490

Proposed Adjustments to 2010-12 Biennial Budget



- \$500K to expand and enhance Main Street Program
- \$4 million to support industrial and commercial site revitalization
- \$1 million additional funding to the Enterprise Zone Program
- \$65K annually to fund increased dues to the Appalachian Regional Commission (ARC)
- \$411K reduction in administrative costs related to relocation of office to Main Street Centre
- \$170K reduction in support for Child Service Coordinator program



Main Street Program

- Current program is funded at \$139K, not including staff time
- With those resources, focus has been on maintaining services to 21 existing communities
- With additional funds, DHCD will be able to strategically enhance services to mature programs and expand the network for first time since 2007
 - DHCD proposes to **add four new Main Street communities in distressed areas**
 - Provide **market and financial feasibility studies targeted at key development projects within Main Street districts**
 - Provide **Improvement Grants** for specific, strategic projects within the Main Street district.
 - Increase technical assistance to mature Main Street communities

Main Street Communities



Industrial and Commercial Revitalization



- Program intent is to return to productive use vacant and blighted commercial and industrial properties
- Uses the existing Derelict Structures Program already authorized in Code (36-153)
- Competitive matching grants would be targeted to redevelopment projects by local governments in partnership with private developers
- Selected projects must be a catalyst to larger economic revitalization efforts in the community and region
- The program would be targeted to distressed communities and regions, both urban and rural

Enterprise Zone Program

- Virginia has prorated Enterprise Zone benefits each year since 2005
- Average pro-rated payout has been .60 on the dollar, but has gone as low as 46 percent
- EZ Grant statute has been amended three (3) times in an effort to align demand with funding, generally by reducing benefits of Real Property Investment Grant (2007, 2009 and 2010)
- Last year the General Assembly passed HB555 (Marshall) which provides deeper targeting to distressed communities and priority to job creation grants
- Governor's Commission on Economic Development and Job Creation recommended working to eliminate proration of enterprise zone benefits
- \$1 million in additional funding will begin to address proration issue and show good faith on behalf of the Commonwealth

Impact of Additional Enterprise Zone Funding



- Based on statute in effect at that time, last year's EZ JCG & RPIG benefits were prorated at \$0.62
- Assuming the same level of demand, an additional \$1 million appropriation would have resulted in an aggregate proration of \$0.68
- Anticipate, based on the last round of EZ applications, that once the JCGs are fully paid, the proration of real property grants would be \$0.64
- \$1 million appropriation will help prevent the real property grants from having a deeper proration
- Appropriation would be for FY 2012 and would not affect this year's competition

Increase in ARC Dues

- Virginia is one of 13 states that are members of the Appalachian Regional Commission
- Each state pays dues based on the prorated share of ARC funding received
- Virginia's dues have increased due to increased funding
- Virginia currently receives nearly \$40 million annually, primarily for highway construction
- Over \$36 million is from a special allocation within the Federal Highway Administration to support development of the Appalachian Development Highway System



Proposed FY 2011 and FY 2012 GF Reductions

	<u>FY 2011</u>	<u>FY 2012</u>
• <u>Child Service Coordinator Program</u>	\$0	-\$169,547

This proposed reduction would reduce service coordination assistance for children in homeless shelters. As part of the Administration's focus on reducing homelessness, DHCD will be placing a greater emphasis on prevention and the rapid re-housing of the recently homeless.

	<u>FY 2011</u>	<u>FY 2012</u>
• <u>Administrative Reductions</u>	-\$200,000	-\$211,224

Includes savings on Agency costs for rent, MELP furniture payments, and parking