

S00A2306

Department of Housing and Community Development – PAYGO

*Pay-As-You-Go Capital Budget Summary*

(\$ in Thousands)

	<i>FY 2003* Approp.</i>	<i>FY 2004 Approp.</i>	<i>FY 2005 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
<b>Historical Trust Loan Fund</b>					
PAYGO	250	250	200	20.0%	\$200
GO Bonds	0	450	250	44.4%	250
Subtotal	250	700	450	35.7%	450
<b>Community Development Block Grants</b>					
PAYGO	10,480	8,400	10,000	19.0%	10,000
<b>Community Legacy Program</b>					
GO Bonds	6,000	8,693	5,000	42.5%	5,000
<b>Neighborhood Business Development Program</b>					
PAYGO	3,356	2,802	6,091	117.4%	6,091
Subtotal	3,356	2,802	6,091	117.4%	6,091
<b>Rental Housing Program</b>					
PAYGO	16,700	10,187	9,791	3.9%	9,791
GO Bonds	0	6,979	7,409	6.2%	7,409
Subtotal	16,700	17,166	17,200	0.2%	17,200
<b>Homeownership Programs</b>					
PAYGO	7,600	5,353	4,611	13.9%	4,611
GO Bonds	0	2,247	2,989	33.0%	2,989
Subtotal	7,600	7,600	7,600	0.0%	7,600

For further information contact: Stacy A. Porter

Phone: (410) 946-5530

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	<i>FY 2003* Approp.</i>	<i>FY 2004 Approp.</i>	<i>FY 2005 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
<b>Special Loan Program</b>					
PAYGO	11,129	7,157	8,550	19.5%	8,550
GO Bonds	0	2,718	0	100.0%	0
Subtotal	11,129	9,875	8,550	13.4%	8,550
<b>Total</b>	<b>\$55,515</b>	<b>\$55,236</b>	<b>\$54,891</b>	0.6%	54,891

<b>Fund Source</b>					
GO bonds	6,000	21,087	15,648	25.8%	15,648
General	14,595	675	0	100%	0
Special	18,011	18,608	22,399	20.4%	22,399
Federal	16,909	14,866	16,844	13.3%	16,844
<b>Total</b>	<b>55,515</b>	<b>55,236</b>	<b>54,891</b>	<b>0.6%</b>	<b>\$54,891</b>

\*The fiscal 2003 appropriation reflects the embargo of \$246,701 of general fund appropriation.

## *Summary of Issues*

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***Nationwide and Maryland Affordable Housing Shortage Continues:*** Insufficient affordable housing is a significant problem faced by low-income households, preventing them from meeting other basic needs, such as nutrition and healthcare. Expanding the supply of affordable housing is a core mission of the Department of Housing and Community Development (DHCD) and the federal Department of Housing and Urban Development (HUD). **The Department of Legislative Services (DLS) recommends that DHCD update the committees concerning the State’s continued inadequate affordable housing stock.**

***Resolution of Reporting Problems and the Future of Baltimore City Lead Hazard Reduction Initiative:*** The three-year Baltimore City lead abatement initiative received its final allocation with the fiscal 2004 budget. Baltimore City Health Department’s required reporting on the use of these funds was deemed unsatisfactory and inaccurate by DHCD. Furthermore, the fiscal 2004 memorandum of understanding (MOU) between DHCD and the Baltimore City Health Department was executed and submitted three months late to the General Assembly. **DLS recommends that DHCD brief the committees on why the MOU was executed three months late and what specific**

actions are being taken by DHCD and the Baltimore City Health Department to ensure timely and accurate recordkeeping and reporting on the use of lead abatement funds in Baltimore City. Additionally, DHCD should brief the committees on whether funding for the Baltimore City lead abatement initiative will be provided utilizing the statewide lead abatement funds in the Special Loan Program.

***Funding of House Bill 3, Hurricane Isabel Disaster Relief Act:*** On September 18, 2003, Hurricane Isabel struck Maryland's shores and destroyed or seriously damaged homes in Maryland. House Bill 3 establishes the Hurricane Isabel Housing Rehabilitation and Renovation Program which will provide low interest loans to rehabilitate or renovate primary residences. **DLS recommends that DHCD brief the committees on its ability to absorb the administrative and financial responsibility this bill places on its financing programs.**

## ***Summary of Recommended Actions***

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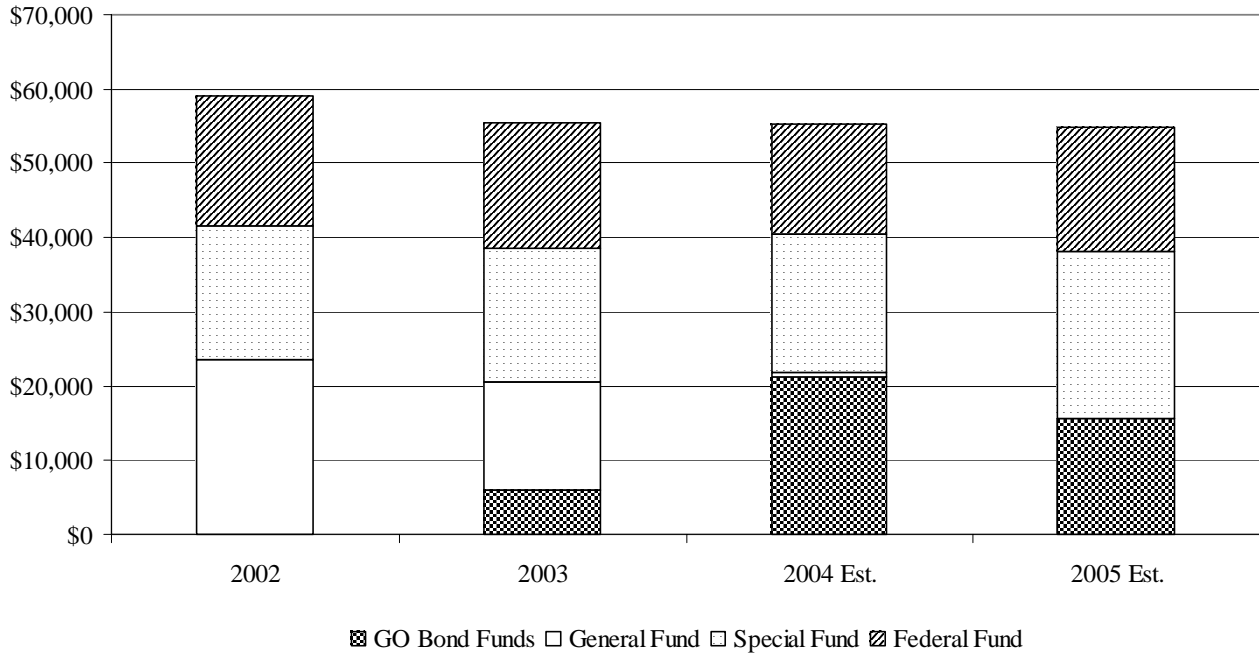
1. Concur with Governor's allowance.

## ***Overview***

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**Exhibit 1** illustrates DHCD's allocation of general, special, federal, and general obligation (GO) bond funds from fiscal 2002 through 2005 appropriated in support of the department's capital programs. As the exhibit shows, the fiscal 2005 allowance continues to provide GO bond funds in place of PAYGO general funds for programs that traditionally have been funded through PAYGO. This shift in funding source was initiated with the fiscal 2004 budget due to the State's current fiscal situation and lack of available general funds. The 2003 *Capital Improvement Plan* (CIP) indicated a return to the use of PAYGO general funds in the fiscal 2005 budget. However, the State's continuing fiscal situation has led the Department of Budget and Management to revise its out-year projections for DHCD's programs to eliminate PAYGO general funds and continue to use of GO bond funds through fiscal 2009. Should the State's fiscal situation improve in the near future it would be fiscally prudent to revert to the use of PAYGO general funds to support DHCD's capital programs.

**Exhibit 1**  
**Overall Funding Allocation**  
**Fiscal 2002 – 2005**  
**(\$ in Millions)**



Source: Department of Legislative Services; Department of Budget and Management

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**Capital Projects Subject to Federal Restrictions on the Use of Tax Exempt Financing:** The Internal Revenue Service limits the use of tax-exempt bonds for “private purpose” projects to the lesser of 5% of the bond sale’s proceeds or \$15 million per bond sale. According to the 2004 CIP presented in **Exhibit 2**, four of DHCD’s programs that receive GO bond funding qualify as private activity.

**Exhibit 2**  
**Summary of Capital Projects Possibly Subject to Federal Restrictions**  
**On the Use of Tax Exempt Financing**  
**Fiscal 2003 – 2006**  
**(\$ in Thousands)**

Project	%	Private \$ by Fiscal Year					
		<u>Private</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Maryland Historical Trust							
Revolving Loan	100		\$250	\$350	\$350	\$350	\$350
Community Legacy Program	100		5,000	4,500	4,000	3,500	3,500
Rental Housing Programs	100		7,409	6,000	5,700	5,600	5,650
Homeownership Program	100		2,989	1,950	1,850	2,100	1,250
<b>Total</b>			<b>\$15,648</b>	<b>\$12,800</b>	<b>\$11,900</b>	<b>\$11,550</b>	<b>\$10,750</b>

Source: Department of Housing and Community Development

**Board of Public Works Oversight for Financial Assistance Programs**

Over the past two years language has been included in the Maryland Consolidated Capital Bond Loan (MCCBL) which exempted financial assistance provided by DCHD under the Community Legacy, Rental Housing, Homeownership and Special Loan Programs from the State Finance and Procurement Article of the Annotated Code of Maryland. This exemption allowed DHCD to bypass the Board of Public Works (BPW) approval process for its loan activities within these programs. DLS believe this practice does not provide sufficient oversight, especially for larger projects over \$500,000. The Governor’s proposed budget does not include language granting DHCD this exemption; however, in the past two years, language has been added by the General Assembly at the request of DHCD to include this language in the MCCBL. **DLS recommends that this language not be perpetuated in the 2005 capital budget.**

The fiscal 2005 allowance provides PAYGO and GO bond appropriations for seven programs within DHCD totaling \$54,891,000. This represents a \$345,000 or 0.6% decrease from the fiscal 2004 legislative appropriation. The allowance does not provide any general funds but rather utilizes GO bond funds. Changes in the individual programs are discussed below.

**Maryland Historical Trust (MHT) Revolving Loan Fund:** The allowance provides \$450,000 for the MHT Revolving Loan Fund, which is comprised of \$250,000 in GO bond funds and \$200,000 in special funds. This represents a \$250,000 decrease from the fiscal 2004 appropriation. In fiscal 2004 the General Assembly provided an additional \$250,000 to assist the B&O Railroad museum with repairs of damage caused by the February 2003 snow storm.

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***Community Development Block Grants:*** The department's budget provides \$10,000,000 in federal funds from HUD for Community Development Block Grants. These funds are dispersed to local jurisdictions that do not receive direct funding from HUD for use in revitalizing neighborhoods, expanding affordable housing, and financing economic development activities. The fiscal 2005 allowance represents a \$1,600,000 increase over the fiscal 2004 working appropriation.

***Neighborhood Business Development Programs:*** The allowance provides \$6,091,000 for the Neighborhood Business Development Program. The allowance is comprised exclusively of PAYGO special funds and represents a \$3,289,000 increase in funding over the fiscal 2004 appropriation.

***Community Legacy Program:*** Community Legacy Program receives \$5,000,000 in GO bond funds in the fiscal 2005 allowance. This is a \$3,693,000 decrease from the fiscal 2004 appropriation in GO bond funds. *Because the Governor's budget proposes funding this program with GO bond funds exclusively, this analysis will not include a review of the Community Legacy program. DLS will provide an analysis of the program as part of the review of the Maryland Consolidated Capital Bond Loan program (capital budget bill).*

***Rental Housing Programs:*** Rental Housing Production programs receive \$17,200,000 of combined PAYGO special, federal, and GO bond funds representing a \$34,000 increase over the fiscal 2004 appropriation. As is the case with all of DHCD's grant and loan programs, the allowance provides no PAYGO general funds and instead includes GO bond funds.

***Homeownership Programs:*** The allowance for the Homeownership Programs is \$7,600,000 which is the same appropriation in fiscal 2004. The allowance consists of \$2,989,000 in GO bond funds (in lieu of general funds), \$4,511,000 in special funds, and \$100,000 in federal HOME funds.

## ***Overview Issues***

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### **1. Nationwide and Maryland Affordable Housing Shortage Continues**

Insufficient affordable housing is a significant problem faced by low-income households, preventing them from meeting other basic needs, such as nutrition and healthcare. According to the National Low Income Housing Coalition's (NLIHC) 2003 Annual Report, Maryland had the fifth highest "housing wage" in the country, which is defined as the wage a household needs to be able to afford an average two-bedroom apartment. According to DHCD, on average, 26% of all Maryland households could not afford a one bedroom unit in the county in which they lived in without paying more than 30% of their income in rent. If a household is paying more than 30% their income in rent, the unit is not considered an affordable house. Expanding the supply of affordable housing is a core mission of DHCD and HUD.

NLIHC has analyzed rental needs nationwide and provided the following statistics as shown in **Exhibit 3** for Maryland in 2003:

**Exhibit 3**  
**Maryland Rental Statistics**

Number of renter households in Maryland	639,108
Median renter household annual income	\$37,443
Fair market rent for two-bedroom	\$980/month
Income needed for two-bedroom at 30%	\$39,217

Source: Department of Budget and Management; Department of Housing and Community Development

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NLIHC data indicates that more than half of the renters in Maryland are paying more than 30% of their income for rent. **DHCD should brief the committees on these findings and how the department plans to utilize the resources at DHCD to address the affordable housing shortage and on any recent initiatives aimed at increasing Maryland’s stock of affordable housing.**

**DHCD Establishes a Commission on Housing Policy**

On March 20, 2003, Governor Ehrlich established a Commission on Housing Policy via an executive order. The commission’s mission is to make recommendations to the Governor for specific and measurable actions that can be taken to increase and preserve quality affordable housing in all Maryland communities to meet the needs of working families, individuals with disabilities, the homeless, and the elderly. The interim report is due September 30, 2004, and the final report with recommendations is due December 31, 2004. The commission has met several times in the fall of 2003 and in the beginning of 2004. **DLS recommends that DHCD brief the committees on the commission’s progress to date and on any significant preliminary findings.**

**2. Funding of House Bill 3, Hurricane Isabel Disaster Relief Act**

On September 18, 2003, Hurricane Isabel struck Maryland’s shores and destroyed or seriously damaged homes in several areas, particularly in Baltimore, Queen Anne’s, and Anne Arundel counties, where flooding reached as high as eight or nine feet. HB 3 and its companion bill SB 415 establish the Hurricane Isabel Housing Rehabilitation and Renovation Program within DHCD. Under this program, DHCD must provide low-interest loans for second mortgages to rehabilitate or renovate primary residences. The department must adopt guidelines and procedures for implementing the program to expedite assistance to families whose primary homes were damaged by Hurricane Isabel. The bill allows DHCD to tap into any program for hurricane relief. However, bond revenue pledged for specific programs such as rental housing is not available, and only a portion of the Maryland Home Financing Program is available. **Exhibit 4** illustrates the main programs that will be used to support loans or guarantees under the bill and their fiscal 2005 allowance.

**Exhibit 4**  
**Potential Programs to Support Loans or Guarantees under HB 3**

<u>Program</u>	<u>FY 2005 Allowance</u>
Maryland Housing Rehabilitation Program* (MHRP)	\$3.0 million (est.)
Maryland Housing Fund	\$1.6 million (est. reserve); No GO bond authorization in fiscal 2005
Maryland Homeownership (incl. Home Financing)	\$7.6 million (federal, special, and bond funds)
HOME	\$1.2 million (federal)

\*DHCD typically transfers \$3 million annually from the Special Loan Program to MHRP; however, this is not a budgeted allowance.

Source: Department of Budget and Management

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The number and amount of loans cannot be estimated at this time. Approximately 300 to 362 homes will require replacement, and an estimated 820 homes will need repairs between \$10,000 and \$20,000. Another 874 homes will require \$5,000 to \$10,000 of repairs. The majority of the homes affected by Hurricane Isabel are expected to need repairs of \$5,000 or less; presumably most of them would be covered by federal aid. **DLS recommends that DHCD brief the committees on its ability to absorb the administrative and financial responsibility this bill places on its financing programs.**

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**Consolidated Administrative Expenses – All Programs**

	<b>FY 2003 Actual</b>	<b>FY 2004 Estimated</b>	<b>FY 2005 Estimated</b>
<b>Sources:</b>			
Special Funds			
Historic Preservation Capital	\$53,126	\$53,502	\$68,472
Neighborhood Business Development	1,229,001	1,198,175	1,204,548
Rental housing Programs	2,530,244	1,799,361	2,550,240
Homeownership Programs	1,713,467	1,124,160	1,122,835
Special Loan Program	1,376,012	1,301,138	1,131,616
<b>Subtotal – Special Funds</b>	<b>\$6,901,850</b>	<b>\$5,476,336</b>	<b>\$6,077,711</b>
General Funds	534,449	452,620	527,787
Other Special	1,787,030	3,060,538	3,204,612
Federal Funds	246,359	284,372	170,992
<b>Total Funds</b>	<b>9,469,688</b>	<b>9,273,866</b>	<b>9,981,102</b>
<b>Uses:</b>			
Direct Expenses	\$5,892,725	\$6,729,988	\$7,014,338
Indirect Expenses			
Legal (AG, Bond Counsel, etc.)	750,416	358,290	629,942
Marketing	416,372	418,233	290,499
Asset Management	456,542	488,253	512,393
General (Office of Secretary, Personnel, etc.)	1,953,633	1,279,102	1,533,930
<b>Total Direct &amp; Indirect Expenses</b>	<b>9,469,688</b>	<b>9,273,866</b>	<b>9,981,102</b>

The administration of PAYGO funds in DHCD is complicated in that the units that administer the State-funded loan programs also administer a variety of other programs, which may be supported by general funds, federal funds, or nonbudgeted revenue bond funds. In general, the department agrees to use no more than 15% of any PAYGO fund’s annual lending activity for administrative expenses.

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The agency is able to meet this somewhat artificial limit because other sources of funds – such as administration funds under federal grants and the General Bond Reserve Fund, most notably – are available to meet the expenses of the operating units.

The estimated total administrative expenses for fiscal 2005 are \$9,981,102 which is an increase of \$707,236, or 7.6% above the estimated expenses for fiscal 2004. The increase is attributable to the increased level of encumbrance activity expected for the various programs based upon the level of funding provided in the Governor’s budget.

## ***Maryland Historical Trust Revolving Loan Fund (County)***

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<b>GO Bond</b>	<b>\$250,000</b>	<b>Recommendation: Approve</b>
<b>PAYGO SF</b>	<b>\$200,000</b>	

**Bill Text:** Provide funds for the Maryland Historical Preservation Loan Program. The funds appropriated for this purpose shall be administered in accordance with Article 83B, Section 5-612.

**Program Description:** The program provides loans to nonprofit preservation foundations, organizations, and individuals to encourage and implement the acquisition and restoration of historic properties. In return for the loan, the recipient must place a preservation easement on the property in the name of the Maryland Historical Trust (MHT).

**Year Program Began:** 1977

**Comments:** The 2005 allowance provides \$200,000 in special funds and \$250,000 in general obligation (GO) bonds for a total allowance of \$450,000 which is consistent with what was planned for fiscal 2005 in the 2004 *Capital Improvement Plan* (CIP) but is \$250,000 less than what was appropriated for the program in fiscal 2004. Fiscal 2004 funding was enhanced with an additional \$250,000 of GO bond funds specifically to assist the B&O Railroad Museum with repairs of damages caused by the February 2003 snow storm. The fiscal 2005 CIP, indicates that the MHT will continue to receive \$450,000 annually through fiscal 2009 consisting of \$350,000 in GO bonds and \$100,000 in special funds. The Department of Housing and Community Development expects the encumbrance level to remain at approximately \$450,000 in fiscal 2005 through 2009.

**Fund Data**

**Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
<b>Beginning Balance</b>	\$478	\$493	\$216
<b>REVENUE</b>			
GO Bonds	0	450	250
General Funds	0	0	0
Loan Repayments and Interest	206	79	93
Cancellation of Encumbrances	13		
<b>TOTAL REVENUE</b>	219	529	343
<b>TOTAL AVAILABLE</b>	697	1,021	560
<b>ENCUMBRANCES</b>			
Loans	154	700	450
Operating Expenses	51	105	68
<b>TOTAL ENCUMBRANCES</b>	205	805	518
<b>Ending Balance</b>	\$493	\$216	\$42

\*Loans made as of 12/31/04 = \$450,000

(\$ in Millions)

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
GO Bond	0.000	0.450	0.250	0.350	0.350	0.350	0.350
PAYGO SF	0.250	0.250	0.200	0.100	0.100	0.100	0.100
<b>Total</b>	<b>0.250</b>	<b>0.700</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>	<b>0.450</b>

***Recommended Actions***

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Approve.

***Fiscal 2004 Project Status***

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B & O Railroad Museum	Baltimore City	\$450,000
Reserved but not yet encumbered	Calvert County	\$100,000
	Baltimore City	\$30,000

## ***Community Development Block Grants (County)***

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**PAYGO FF**                                      **10,000,000**                                      **Recommendation: Approve**

**Program Description:** The federal Community Development Block Grant (CDBG) program provides competitive grants to local governments in non-entitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, or improving community facilities and services. The federal CDBG authorization contains constraints that guide the recipient’s use of funds, the most significant of which requires that 70% of a CDBG grant must be used to principally benefit low- or moderate-income individuals.

Entitlement areas receive a direct allocation of CDBG funds from the U.S. Department of Housing and Urban Development and are not eligible for the State program. The State’s entitlement areas include Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George’s counties and the cities of Annapolis, Baltimore, Cumberland, Frederick, and Hagerstown. Direct funding to these entitlement areas has totaled approximately \$56.8 million annually.

**Year Program Began:** 1987

**Comments:** Federal funds for the CDBG program are \$1.6 million higher than the recommendation in the fiscal 2004 *Capital Improvement Plan*. The increase reflects the planned federal award of \$10.0 million which consists of \$7,250,000 for community development projects and \$2,750,000 for economic development projects. The fiscal 2004 estimated CDBG federal fund revenue will likely be revised upwards. While not reflected in the fund data table, the department has indicated that an unencumbered fund balance of \$4.9 million from fiscal 2003 will be carried forward. An additional \$1,000,000 is contained in the operating budget for CDBG special projects that are non-capital in nature.

**Fund Data**

**Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
<b>Beginning Balance</b>	\$0	\$0	\$0
<b>REVENUE</b>			
General Funds	0	0	0
Federal Funds	10,928	8,780	10,430
Loan Repayments and Interest			
<b>TOTAL REVENUE</b>	10,928	8,780	10,430
<b>TOTAL AVAILABLE</b>	10,928	8,780	10,430
<b>ENCUMBRANCES</b>			
Loans	10,478	8,400*	10,000
Operating Expenses	449	380	430
<b>TOTAL ENCUMBRANCES</b>	10,928	8,780	10,430
<b>Ending Balance</b>	\$0	\$0	\$0

\*Loans made as of 1/31/04 = 7,123,113

(\$ in Millions)

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
PAYGO FF	10.480	8.400	10.000	10.000	10.000	10.000	10.000
<b>Total</b>	<b>\$10.480</b>	<b>\$8.400</b>	<b>\$10.000</b>	<b>\$10.000</b>	<b>\$10.000</b>	<b>\$10.000</b>	<b>\$10.000</b>

## ***Recommended Actions***

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Approve.

## ***Fiscal 2005 Proposed Projects***

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The department anticipates awards of \$8,157,720 in a spring 2004 round.

## ***Fiscal 2004 Project Status***

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<b><u>Project</u></b>	<b><u>Location</u></b>	<b><u>Amount</u></b>
Board of County Commissioners of Allegany County	Allegany	\$220,000
County Commissioners of Carroll County	Carroll	67,600
Town of Cecilton	Cecil	655,000
Town of Elkton	Cecil	220,800
Town of Indian Head	Charles	1,000,000
Town of Vienna	Dorchester	400,000
Town of Union Bridge	Carroll	290,000
City of Brunswick	Frederick	700,000
County Commissioners of Garrett County	Garrett	174,523
Town of Chestertown	Kent	375,000
Board of County Commissioners of Queen Anne’s County	Queen Anne’s	50,000
Talbot County Council	Talbot	450,000
Board of County Commissioners of Washington County	Washington	1,220,000
County Commissioners of Wicomico	Wicomico	314,190
County Commissioners of Wicomico	Wicomico	100,000
County Commissioners of Wicomico	Wicomico	895,000
<b>Total Encumbered</b>		<b>7,132,113</b>
Reserved not yet encumbered		500,000
<b>Total</b>		<b>\$7,632,113</b>

## ***Neighborhood Business Development (County)***

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PAYGO SF

6,091,000

Recommendation: Approve

**Program Description:** The Neighborhood Business Development Program (NBDP) was established to provide gap financing for small businesses in locally designated revitalization areas. Loan financing ranges from \$25,000 to \$500,000 for an individual project and is designed to supplement private financing and equity from the borrower. Applicants must secure private financing in an amount sufficient to provide a 50% match on State loans funds and provide a 5% equity investment to receive a low-interest or deferred payment loan. The program also provides grants to nonprofit organizations whose activities contribute to community-based economic development revitalization efforts. Approximately 70% of the program's funds are used for loans to private firms and nonprofits, and 30% for grants to nonprofits.

Program funds also support the Capital Access Program (CAP), a component of NBDP established by Chapter 98, Acts of 2000. CAP is a credit enhancement program that enables private lenders to establish a loan loss reserve fund from fees paid by lenders, borrowers, and the Department of Housing and Community Development (DHCD). Borrowers and participating lenders each contribute a premium of between 0.5% and 2.0% of a loan to a reserve fund, and DHCD matches the amount of the premium. Since inception the State has provided matching fees of \$123,959 for CAP loans of \$5.6 million. In fiscal 2003, the matching fees were \$41,860 for CAP loans of \$1.6 million. CAP not being a direct loan program leverages private funds at an average rate of 40 to 1.

**Year Program Began:** 1995

**Comments:** The fiscal 2005 allowance provides \$6,091,000 of PAYGO special funds to support grants and loans to small businesses through the NBDP. This is a significant increase over funding provided in fiscal 2004 of \$2.8 million. The budget does not provide any general funds, federal funds, or GO bond funds, consequently, the program will have to sustain itself with special fund revenues generated from the program's loan activities. The recommended *Capital Improvement Plan* indicates the fund will be supported with special and GO bonds beginning in fiscal 2006.

Due to reduced funding levels in fiscal 2003 and 2004, DHCD purposely limited the number of approved grants and loans. As a result, DHCD reports that a significant amount of pent up demand exists.

**Fund Data**

**Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
Beginning Balance	\$2,376	\$2,592	\$2,821
<b>REVENUE</b>			
Loan Repayments and Interest	4,454	3,818	4,075
Cancelled Encumbrances	465	412	412
<b>TOTAL REVENUE</b>	4,920	4,230	4,487
<b>TOTAL AVAILABLE</b>	7,296	6,823	7,308
<b>ENCUMBRANCES</b>			
Loans	3,356	2,802*	6,091
Operating Expenses	1,347	1,200	1,200
<b>TOTAL ENCUMBRANCES</b>	4,703	4,002	7,291
<b>Ending Balance</b>	\$2,592	\$2,821	\$17

\*Loans made as of 1/31/04 = \$854,495

**(\$ in Millions)**

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
GO Bond	0.000	0.000	0.000	1.700	1.300	0.800	0.800
PAYGO SF	3.356	2.802	6.091	3.300	4.200	4.200	4.200
<b>Total</b>	<b>\$3.356</b>	<b>\$2.802</b>	<b>\$6.091</b>	<b>\$5.000</b>	<b>\$5.500</b>	<b>\$5.000</b>	<b>\$5.000</b>

## ***Recommended Actions***

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Approve.

## ***Fiscal 2005 Proposed Projects***

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Applications for loan funds are received on a continuous basis and are funded on a first-come, first-serve basis. Grants are awarded annually on a competitive basis.

## ***Fiscal 2004 Project Status***

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<b><u>Project</u></b>	<b><u>Location</u></b>	<b><u>Amount</u></b>
<b><u>Loans and Grants Approved as of January 31, 2004</u></b>		
Black Eyed Susan	Baltimore City	\$100,000
Santoni's	Baltimore City	354,495
Riser Academics	Frederick	200,000
Orchard Avenue Building	Montgomery	<u>200,000</u>
<b>Subtotal: Loans and Grants</b>		<b>\$854,495</b>
<b>Reserved but Not Yet Encumbered</b>		<b>\$475,000</b>
<b>Total</b>		<b>\$1,229,495</b>
Capital Access Program		
Baltimore		\$2,663
Carroll		2,100
Frederick		2,400
Harford		3,600
Montgomery		2,700
Prince George's		3,324
St. Mary's		4,050
Subtotal: Capital Access		20,837
<b>Total Encumbrances</b>		<b>\$875,332</b>
<b>Applications Received and Being Processed</b>		<b>\$497,200</b>

## ***Rental Housing Program (County)***

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<b>GO Bond</b>	<b>7,409,000</b>	<b>Recommendation:</b>	<b>Approve</b>
<b>PAYGO SF</b>	<b>4,247,000</b>		
<b>PAYGO FF</b>	<b>5,544,000</b>		

**Bill Text:** Provide funds for rental housing developments that serve low-and moderate-income households. The funds shall be administered in accordance with Article 83B, Subtitle 5 and Sections 2-303, 2-305, and 2-803.

**Program Description:** Five programs are funded through the Rental Housing Programs: Rental Housing Production Program, Elderly Rental Housing Program, Maryland Housing Rehabilitation Program-Multi-family, Nonprofit Rehabilitation Program, and Office and Commercial Space Conversion Program. The program provides low-interest or deferred payment loans for rental housing developments with the exception that the housing units are to serve very low-income households. In general, the development should serve families with income below 60% of the area median, with priority given to projects which serve the greatest number of families with incomes below 30% of the area median. There are no income limits associated with the Office and Commercial Space Conversion Program.

**Year Program Began:** These programs were organized under the Rental Housing Programs in 1990.

**Comments:** The fiscal 2005 allowance provides a total of \$17,200,000 consisting of \$7,409,000 in general obligation (GO) bond funds, \$4,247,000 in PAYGO special funds, and \$5,544,000 in federal HOME funds. The allowance represents a \$34,000 increase over the fiscal 2004 appropriation due to an increased allocation of federal HOME funds to the program

The department's Rental Housing Programs combine State rental housing funds and federal HOME Investment Partnership funds to provide one of many sources of financing necessary to develop multi-family housing projects. Rental Housing Program funds are typically combined with federal Low-income Housing Tax Credits and allocations of a portion of the State's federal tax-exempt revenue bond authority through the department's Multifamily Revenue Bond Program, to finance the construction of affordable housing units. In addition, housing developments that use State resources always leverage other funding. Local contributions are specifically required for many programs and are further encouraged through the competitive award system used for most of the State's larger multi-family projects.

**Fund Data**

**Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
Beginning Balance	\$3,260	\$148	\$3
<b>REVENUE</b>			
GO Bonds	0	6,979	7,409
General Funds	7,061	0	0
Federal Funds	6,857	5,683	6,098
Transfer from Other Funds	0	0	0
Loan Repayments and Interest	7,812	6,573	6,690
Cancelled Encumbrances	70	89	89
<b>TOTAL REVENUE</b>	21,799	19,338	20,302
<b>TOTAL AVAILABLE</b>	25,059	19,485	20,306
<b>ENCUMBRANCES</b>			
Loans	22,073	17,166*	17,200
Operating Expenses	2,838	2,316	2,354
<b>TOTAL ENCUMBRANCES</b>	24,911	19,483	19,554
<b>Ending Balance</b>	\$148	\$3	\$751

\*Loans made as of 12/31/03 = \$4,984,854

**(\$ in Millions)**

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
GO Bond	0.000	6.979	7.409	6.000	5.700	5.600	5.600
PAYGO GF	7.061	0.000	0.000	0.000	0.000	0.000	0.000
PAYGO SF	4.939	5.021	4.247	5.650	5.950	6.050	6.000
PAYGO FF	4.700	5.166	5.544	5.550	5.550	5.550	5.550
<b>Total</b>	<b>\$16.700</b>	<b>\$17.166</b>	<b>\$17.200</b>	<b>\$17.200</b>	<b>\$17.200</b>	<b>\$17.200</b>	<b>\$17.200</b>

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The rental housing fund in fiscal 2004 will primarily be used for the Rental Housing Production Program and the Elderly Rental Housing Program based on the results of the Department’s rating and ranking process. The Department of Housing and Community Development (DHCD) estimates that statewide, 35% of renting families are rent-burdened, paying more of their income for rent. **Exhibit 5** presents the number and amount of applications received from fiscal 2000 to 2005. The table indicates a strong demand for funding. Developers are available to address the rental needs of citizens in the State but require assistance with financing these projects.

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**Exhibit 5**  
**Program Demand**  
**(\$ in Millions)**

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Applications Received	29	50	55	29	50	50
Amount Requested	\$25.2	\$39.6	\$32.5	\$22.5	\$36.0	\$39.0
Amount Appropriated	\$12.0	\$15.5	\$15.8	\$16.7	\$17.1	\$17.2

Note: Fiscal 2005 projected; fiscal 2003 only 1 round held due to limited funding.

Source: Department of Housing and Community Development

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## ***Recommended Actions***

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Approve.

## ***Fiscal 2005 Proposed Projects***

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The department reports that it currently has reservations for State and federal affordable housing funds in excess of what is available in the fiscal 2005 allowance.

***Fiscal 2004 Project Status***

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<b><u>Affordable Rental Housing</u></b>	<b><u>Amount</u></b>
Hagerstown Robinwood – Washington	\$642,459
<b>Subtotal Encumbered Affordable Rental Housing – State Funds</b>	<b>\$642,459</b>
<b><u>Reserved but Not Encumbered – State Funds</u></b>	<b><u>Amount</u></b>
Wiley H. Bates Senior Apt. – Anne Arundel	\$867,224
Hampstead School Apts. for Seniors – Carroll	1,500,000
Amberly Meadows – Dorchester	1,306,000
Cambridge Club Apartments – Dorchester	1,276,367
Mountain Village West – Garrett	989,646
Woodbridge Commons – Harford	631,000
Gateway Crossing – Washington	1,325,000
<b>Totals – Affordable Rental Housing</b>	<b>\$8,537,696</b>
<b><u>Affordable Rental Housing – Federal Funds (Home)</u></b>	
Town of Union Bridge – Carroll	\$1,420,000
Parkview at Snowden – Howard	1,500,000
Hagerstown Robinwood Senior Assoc. – Washington	642,270
Snow Hill Elderly – Worcester	780,125
<b>Subtotal – Encumbered</b>	<b>\$4,342,395</b>
<b>Reserved but Not Yet Encumbered</b>	
Chapline House II – Calvert	\$1,271,891
Fairgreen Senior Apartments – Cecil	689,500
Maple Heights – Cecil	1,500,000
Village at Mitchell Pond – Wicomico	1,500,000
<b>Subtotal – HOME Reserved</b>	<b>\$4,961,391</b>
<b>Home Initiatives</b>	
Chesapeake Apartments – Anne Arundel	\$245,000
Crisfield Homebuyer Program – Somerset	210,000
<b>Subtotal – HOME Initiative Reserved</b>	<b>\$455,000</b>
<b>Subtotal – HOME Reserved</b>	<b>\$5,416,391</b>

## ***Homeownership Programs (County)***

---

<b>GO Bond</b>	<b>\$2,989,000</b>	<b>Recommendation:</b>	<b>Approve</b>
<b>PAYGO SF</b>	<b>\$4,511,000</b>		
<b>PAYGO FF</b>	<b>\$100,000</b>		

**Bill Text:** Provides funds for below-market interest rate mortgages with minimum down payments to low- and moderate-income families. These funds shall be administered in accordance with Article 83 B, Sections 2-601 through 2-605 and 2-608 through 2-614.

**Program Description:** The Homeownership Programs provide below-market interest rate mortgage loans with minimum downpayments to low and moderate income families. Three programs comprise the Homeownership Programs: Maryland Home Financing Program (MHFP) makes direct loans to very low-income households for home purchases; Reverse Equity Mortgage Program provides mortgage loans to limited-income elderly homeowners so they can remain in their homes; and the Downpayment and Settlement Expense Loan Program (DSELP) assists limited-income families in meeting settlement closing costs associated with home purchases.

**Year Program Began:** These programs were organized under the Homeownership Programs in 1990.

**Comments:** The fiscal 2005 allowance provides \$7.6 million in combined State general obligation (GO) bonds and PAYGO special funds and federal HOME investment partnership funds. The allowance would provide the program with the same total appropriation as was authorized for fiscal 2004. The 2004 *Capital Improvement Program* (CIP) shows the program is scheduled to receive \$7.6 million in funding in each of fiscal 2005 through 2008. As with all of the department's grant and loan programs traditionally funded with State PAYGO funds, the allowance provides GO bond funds in place of PAYGO general funds.

The department has indicated that it anticipates allocating the fiscal 2004 appropriation as follows:

- \$4,480,000 for MHFP. This amount includes \$2.5 million for the Homeownership for the Individuals with Disabilities Program which was established in part to address the State's housing responsibilities for the disabled under the Americans with Disabilities Act of 1990;
- \$20,000 for the Reverse Equity Program;
- \$3,000,000 for Downpayment and Settlement Expense Loan Program; and
- \$100,000 federal HOME funds.

**Fund Data**

**Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
Beginning Balance	\$0	\$274	\$0
<b>REVENUE</b>			
GO Bonds	0	2,247	2,989
General Funds	2,781	0	0
Federal Funds	29	110	110
Transfer from Other Funds	-2,247	304	0
Loan Repayments and Interest	6,198	5,337	5,520
Cancel Encumbrances	275	463	465
<b>TOTAL REVENUE</b>	7,037	8,461	9,084
<b>TOTAL AVAILABLE</b>	7,037	8,735	9,084
<b>ENCUMBRANCES</b>			
Loans	5,041	7,600*	7,600
Operating Expenses	1,721	1,135	1,135
<b>TOTAL ENCUMBRANCES</b>	6,763	8,735	8,735
<b>Ending Balance</b>	\$274	\$0	\$349

\*Loans made as of 1/31/04 = \$4,561,257

(\$ in Millions)

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
GO Bonds	0.000	2.247	2.989	1.950	1.850	2.100	1.250
PAYGO GF	2.781	0.000	0.000	0.000	0.000	0.000	0.000
PAYGO SF	4.719	5.253	4.511	5.550	5.650	5.400	6.250
PAYGO FF	0.100	0.100	0.100	0.100	0.100	0.100	0.100
<b>Total</b>	<b>\$7.600</b>	<b>\$7.600</b>	<b>\$7.600</b>	<b>\$7.600</b>	<b>\$7.600</b>	<b>\$7.600</b>	<b>\$7.600</b>

## ***Recommended Actions***

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Approve.

## ***Fiscal 2005 Proposed Projects***

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The department intends to utilize \$2.5 million to fund mortgage loans for disabled borrowers through MHFP. The department also intends to utilize \$3.0 million to support individual loans through DSELP.

## ***Fiscal 2004 Project Status***

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<b><u>Program</u></b>	<b><u>Location</u></b>	<b><u>Amount</u></b>
<b>Disabled Borrowers</b>		
1 Individual Loan	Anne Arundel	\$44,487
2 Individual Loans	Baltimore	\$199,390
10 Individual Loans	Baltimore City	\$648,280
3 Individual Loans	Harford	\$264,100
1 Individual Loan	Kent	\$75,000
1 Individual Loan	Queen Anne's	\$80,000
Subtotal Encumbered – Disabled Borrowers		\$1,311,257
<b>Forward Reservation Projects</b>		
Daphne Dorsey – MHFP	Kent	\$174,600
Graham's Park – MHFP	Talbot	\$240,000
Individual Loan – REMP	Baltimore	\$1,000
Subtotal Encumbered – MHFP		\$415,600
<b>Downpayment Settlement Expense Loan Program</b>		
1 Individual Loan	Allegany	27,000
Individual Loans	Anne Arundel	6,000
Individual Loans	Baltimore	146,116
Individual Loans	Baltimore City	553,590
1 Individual Loan	Calvert	3,000
Individual Loans	Caroline	12,000

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Individual Loans	Carroll	17,500
Individual Loans	Cecil	11,650
Individual Loans	Frederick	9,000
Individual Loans	Harford	30,000
1 Individual Loan	Howard	3,000
Individual Loans	Montgomery	14,900
Individual Loans	Prince George's	161,800
Individual Loans	Washington	96,987
Individual Loans	Wicomico	15,000

Subtotal \$1,107,543

**Total Encumbered \$2,834,000**

**Reserved but Not Yet Encumbered**

Disabled Borrowers Statewide \$737,270

Downpayment Settlement Expense Loan Program Statewide 858,415

**Federal Funds – HOME (Encumbered)**

Frankford Neighborhood Baltimore City 800,000

## ***Special Loan Programs (County)***

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<b>PAYGO SF</b>	<b>\$7,350,000</b>	<b>Recommendation:</b>	<b>Approve</b>
<b>PAYGO FF</b>	<b>\$1,200,000</b>		

**Program Description:** The programs under the Special Loan Programs include the Maryland Housing Rehabilitation Program, Indoor Plumbing Program, Lead Hazard Reduction Program, and Group Home Financing. The programs provide preferred interest rate loans and grants to families of low- and moderate-income; to sponsors whose small rental properties are leased substantially by limited-income families; and to nonprofit sponsors of housing facilities. In general the funds can be used to construct or rehabilitate single-family homes and multi-family housing with four or fewer units, or to acquire properties for use as group homes or shelters.

**Year Program Began:** The programs were organized under the Special Loan Programs in 1990.

**Comments:** The fiscal 2005 allowance provides a total of \$8.55 million of combined State and federal funds consisting of \$7,350,000 in PAYGO special funds and \$1,200,000 in federal HOME Investment Partnership funds.

The department reports that it intends to allocate the fiscal 2005 allowance as follows:

- **Maryland Housing Rehabilitation Program:** \$3,000,000 – this allocation is approximately \$691,000 more than in fiscal 2004. The program lends funds to eligible individuals and sponsors to finance the rehabilitation of housing occupied by families of limited income. The Indoor Plumbing Program currently has 194 loans in their portfolio, excluding loans that were made and paid off. The 1990 census estimates there are 273,731 units with inadequate plumbing and/or kitchen facilities.
- **Group Home Financing Program:** \$2,708,000 – this allocation is approximately \$341,000 more than that provided in fiscal 2004. This program provides loans to sponsors to finance the costs of acquiring, constructing, and modifying buildings which will provide group homes for low-income, elderly, handicapped, and other citizens of the State with special housing needs.
- **Lead Hazard Reduction Program:** \$1,642,000 – the fiscal 2001 budget provided the first of three State appropriations in the amount of \$3.5 million to fund lead abatement rehabilitation grants and loans to residents of Baltimore City. The 2004 budget provided the final allotment of funds for this program. In fiscal 2005, no special loan funds are earmarked for Baltimore City; however, the budget provides \$1.6 million for the statewide lead abatement initiative. This is an increase of \$1.0 million for the statewide initiative from the amount provided historically.

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- **Federal HOME Investment Partnership Funds:** \$1,200,000 – this is the same allocation planned by the department for fiscal 2004. This program is used to leverage and expand the State loan funds. The funds are used to make deferred loans for certain housing activities that cannot be funded with State funds, such as replacement houses, or for rehabilitation loans to individuals with poor credit who would not qualify for a State loan.

## ***Fund Data***

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### **Fund History**

	<i>FY 2003 Actual</i>	<i>FY 2004 Estimated</i>	<i>FY 2005 Estimated</i>
Beginning Balance	\$634	\$2,459	\$1,941
<b>REVENUE</b>			
GO Bonds	0	2,718	0
General Funds	4,753	675	0
Loan Repayments and Interest	6,471	6,264	6,540
Transfer from Other Funds	0	(304)	0
Federal Funds	2,133	1,320	1,320
Cancelled Encumbrances	0	106	110
<b>TOTAL REVENUE</b>	13,357	10,779	7,970
<b>TOTAL AVAILABLE</b>	13,991	13,238	9,911
<b>ENCUMBRANCES</b>			
Loans	10,049	*9,875	8,550
Operating Expenses	1,484	1,421	1,245
<b>TOTAL ENCUMBRANCES</b>	11,532	11,296	9,795
<b>Ending Balance</b>	\$2,459	\$1,941	\$116

\*Loans made as of 12/31/03 = \$1,812,010

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(\$ in Millions)

<i>Description</i>	<i>2003 Approp.</i>	<i>2004 Approp.</i>	<i>2005 Request</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>
<b>GO Bonds</b>	0.000	2.718	0.000	1.400	1.250	1.100	0.950
PAYGO GF	4.753	0.675	0.000	0.000	0.000	0.000	0.000
PAYGO SF	4.747	5.282	7.350	5.600	5.750	5.900	6.050
PAYGO FF	1.629	1.200	1.200	1.200	1.200	1.200	1.200
<b>Total</b>	<b>\$11.129</b>	<b>\$9.875</b>	<b>\$8.550</b>	<b>\$8.200</b>	<b>\$8.200</b>	<b>\$8.200</b>	<b>\$8.200</b>

## *Issues*

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### **1. Resolution of Reporting Problems and the Future of Baltimore City Lead Hazard Reduction Initiative**

In 2000, the former administration made a three-year \$10.5 million commitment to combat the increasing problem of childhood lead poisoning in Baltimore City. The fiscal 2001 budget provided the first of three State appropriations in the amount of \$3.5 million to fund lead abatement rehabilitation grants and loans to residents of Baltimore City. The 2004 budget provided the final allotment of funds for this program. **Exhibit 6** provides the four-year funding history.

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**Exhibit 6**  
**Baltimore City Lead Abatement State Funding History**  
**Fiscal 2001 – 2005**  
(\$ in Thousands)

	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Total</u>
Rehabilitation	\$2,375,000	\$1,790,240	\$1,835,240	\$1,675,000	\$7,675,480
Personnel	427,260	427,260	427,260	0	1,281,780
Relocation	640,240	350,000	100,000	0	1,090,240
Testing	57,500	57,500	137,500	0	252,500
<b>Initiative Total</b>	<b>\$3,500,000</b>	<b>\$2,625,000</b>	<b>\$2,500,000</b>	<b>\$1,675,000</b>	<b>\$10,300,000</b>

Note: The fiscal 2002 appropriation was reduced by \$875,000 due to the statewide embargo on general fund PAYGO appropriations. The fiscal 2003 appropriation was reduced by \$1.0 million due to the larger amount of unencumbered and unexpended funds.

Source: Department of Housing and Community Development

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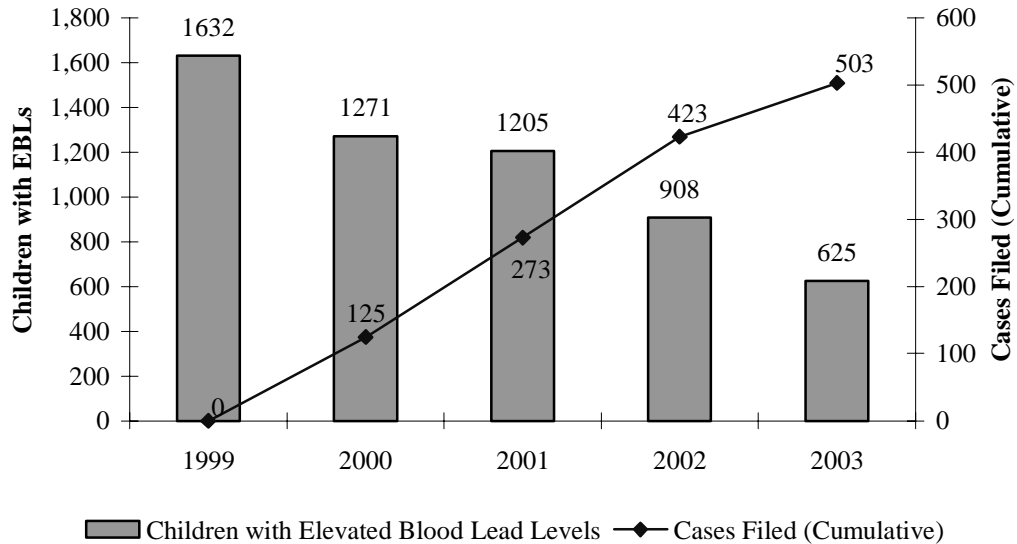
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Although the original commitment was for three years, cost containment actions in 2002 embargoed 25% of the allowance, resulting in a \$875,000 reduction. In fiscal 2003, legislative action reduced the \$3.5 million to \$2.5 million with the intent that Baltimore City receive a deficiency appropriation in the event the department was able to utilize the \$1.0 million. In fiscal 2004, \$1.7 million was funded to complete the initial three-year commitment. In fiscal 2005, no funds are earmarked for Baltimore City; however, the fiscal 2005 PAYGO budget provides \$1.6 million for the statewide lead abatement initiative.

Prior to fiscal 2002, the Department of Housing and Community Development (DHCD) funded and administered the Baltimore City Lead Hazard Reduction Grant Program. In fiscal 2002, DHCD transferred responsibility for the administration, reporting and funding of the program to the Baltimore City Health Department (Health Department). However, initial control of the grant funds remains with DHCD and prior to the release of funds each year a memorandum of understanding (MOU) between DHCD and the Health Department must be executed. Also, the Health Department must provide satisfactory quarterly reporting on the use of lead abatement funds to the department and to the General Assembly. Both the fiscal 2004 MOU and the October quarterly reports were not submitted on time. According to the department, the MOU was delayed because of recordkeeping difficulties at the Health Department. The Health Department submitted quarterly reports to DHCD in fiscal 2002 and 2003. The department, however, deemed the reports incomplete and withheld fiscal 2004 funds. Since early fiscal 2004, DHCD has been working with the Health Department to resolve the recordkeeping issues, but DHCD maintains that like the 2002 quarterly reports, the 2003 quarterly reports are incomplete and inaccurate. Due to these inaccuracies, DHCD has not submitted the October 1, 2003, quarterly report to the General Assembly. As a result DLS is unable to ascertain how many grants and loans have been provided for under the lead abatement rehabilitation effort. **DLS recommends that the Baltimore City Health Department be prepared to provide the committees with statistics regarding the utilization of these funds. Information such as the number of homes that have been abated with the State's funds should be provided.** On January 13, 2004, the MOU was executed and \$1.675 million in lead abatement funds were released to the Health Department. **The Department of Legislative Services (DLS) recommends that DHCD brief the committees on why the MOU was executed 3 months late and what specific actions are being taken by DHCD and the Baltimore City Health Department to ensure timely and accurate recordkeeping and reporting on the use of lead abatement funds in Baltimore City.**

In the fiscal 2005 budget no funds are earmarked for the Baltimore City Lead Abatement Initiative. However, DHCD is budgeting \$1.6 million in the PAYGO special loan program to fund statewide lead initiatives. As you can see in **Exhibit 7**, the Baltimore City Lead Abatement program has met with success in increasing the number of reported cases and in reducing the number of children in the city with elevated blood lead levels.

**Exhibit 7**  
**Enforcement and Elevated Blood Lead Levels**



EBL = Elevated Blood Lead Levels

Source: Baltimore City Health Department

DLS recommends that DHCD brief the committee on whether statewide funds will be provided to Baltimore City given the success the department has made over the past five years in reducing the number of children with elevated blood levels.

***Recommended Actions***

Approve.

***Fiscal 2005 Proposed Projects***

All projects receiving Special Loan Program funding are funded on a first come first serve basis. The department does not provide forward reservations for individual projects, and there is no established rating or ranking criteria for selecting projects.

## ***Fiscal 2004 Project Status***

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### **State Funded Projects**

<b><u>Location</u></b>	<b><u>Amount</u></b>
Anne Arundel	\$299,444
Allegany	29,725
Baltimore	23,620
Baltimore City	260,184
Caroline	49,260
Carroll	61,810
Dorchester	260,460
Frederick	39,589
Harford	150,985
Montgomery	250,000
Queen Anne's	12,035
St. Mary's	118,909
Talbot	47,521
Washington	80,555
Wicomico	127,913
<b>Total</b>	<b>\$1,812,010</b>
Reserved but not yet encumbered	\$971,356

### **Federal Funds – Home**

<b><u>Location</u></b>	<b><u>Amount</u></b>
Allegany	\$41,009
Caroline	342,583
Carroll	15,962
Cecil	127,962
Dorchester	39,912
Frederick	25,745
Garrett	42,616
Prince George's	77,031
Somerset	40,307
St. Mary's	70,746
Washington	101,878
Wicomico	78,579
Worcester	72,088
<b>Total</b>	<b>\$1,076,452</b>
Reserved not yet encumbered	\$243,372

**Fiscal Summary**  
**Department of Housing and Community Development – PAYGO**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
06 Historical Preservation - Capital Appropriation	\$ 153,500	\$ 250,000	\$ 250,000	62.9%	\$ 200,000	-20.0%
02 Neighborhood Business Development - Capital Approp	13,834,297	11,202,000	11,202,000	-19.0%	16,091,000	43.6%
07 Rental Housing Programs - Capital Appropriation	24,976,710	10,187,000	10,187,000	-59.2%	9,791,000	-3.9%
08 Homeownership Programs - Capital Appropriation	5,041,250	5,353,000	5,353,000	6.2%	4,611,000	-13.9%
09 Special Loan Programs - Capital Appropriation	10,148,611	7,157,000	7,157,000	-29.5%	8,550,000	19.5%
<b>Total Expenditures</b>	<b>\$ 54,154,368</b>	<b>\$ 34,149,000</b>	<b>\$ 34,149,000</b>	<b>-36.9%</b>	<b>\$ 39,243,000</b>	<b>14.9%</b>
General Fund	\$ 14,348,299	\$ 675,000	\$ 675,000	-95.3%	\$ 0	-100.0%
Special Fund	20,818,541	18,608,000	18,608,000	-10.6%	22,399,000	20.4%
Federal Fund	18,987,528	14,866,000	14,866,000	-21.7%	16,844,000	13.3%
<b>Total Appropriations</b>	<b>\$ 54,154,368</b>	<b>\$ 34,149,000</b>	<b>\$ 34,149,000</b>	<b>-36.9%</b>	<b>\$ 39,243,000</b>	<b>14.9%</b>

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.