

SA00
Department of Housing and Community Development – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

	<i>FY 2005 Approp.</i>	<i>FY 2006 Approp.</i>	<i>FY 2007 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Community Legacy Program	\$0	\$0	\$8,000	--	\$5,000
Rental Housing Programs	9,791	13,455	20,842	54.9%	20,842
Homeownership Programs	4,611	6,395	7,600	18.8%	7,600
Special Loan Programs	8,550	7,550	10,034	32.9%	10,034
Neighborhood Business Development Program	6,091	6,000	6,000	0.0%	6,000
Partnership Rental Housing Program	0	0	6,000	--	6,000
Community Development Block Grants	10,000	10,000	10,000	0.0%	10,000
Total	\$39,043	\$43,400	\$68,476	57.8%	\$65,476

Fund Source					
General	0	0	27,742	0	24,742
Special	22,199	25,150	23,300	-7.4%	23,300
Federal	16,844	18,250	17,434	-4.5%	17,434
PAYGO Subtotal	39,043	43,400	68,476	57.8%	65,476
GO Bonds	23,348	22,501	1,000	-95.6%	1,000
Total	\$62,391	\$65,901	\$69,476	5.4%	\$66,476

Note: The chart does not reflect funds for the Maryland Historical Trust which totaled \$200,000 in fiscal 2005 and \$450,000 in 2006. Funds for the Maryland Heritage Tax Credit program of \$20 million in fiscal 2006 also are not included. These programs were transferred in fiscal 2006 to the Maryland Department of Planning as required by Chapter 440, Acts of 2005.

Note: Numbers may not sum to total due to rounding.

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Summary of Issues

Primary Programs Generally Align with State’s Geographic Needs: One-third of Maryland households cannot afford to purchase starter homes. Likewise, one-third of the State’s households, particularly in urban areas, cannot afford median rent. It appears that the Department of Housing and Community Development’s (DHCD) primary programs align with the State’s needs by geographic area type. **The Department of Legislative Services (DLS) recommends that DHCD comment on how the housing data by geographic area type can further ensure the agency best allocates its resources.**

DHCD Will Stretch Existing Resources to Increase Coverage of Rental Shortage from 28 to 40%: The shortage of affordable rental housing in Maryland is expected to grow to 157,000 units by 2014. By devising new ways to use its existing funds, DHCD estimates it can create about 900 additional multifamily rental units annually. Enhancements in existing homeownership programs are expected to free up an additional 900 rental units. These efforts should increase the agency’s coverage of the rental housing shortfall from 28 to 40%. **DLS recommends that DHCD comment on progress toward its rental and homeownership program enhancements, and whether it expects to generate an additional 1,800 rental units in fiscal 2006.**

Bridge Subsidy Program and Equity Fund Are Additional Priorities Among Housing Commission Recommendations: The Bridge Subsidy Program will provide short-term rental assistance for individuals with disabilities while they await permanent housing assistance. The Maryland Equity Fund will, among other things, reduce borrowing costs on multifamily rental housing projects. **DLS recommends that DHCD comment on the current status of the Bridge Subsidy Demonstration Program and the Maryland Equity Fund, and what types of projects are expected to be supported with the Equity Fund.**

Rental Housing Production Has Varied in Recent Years: DHCD plans to address up to 40% of the State’s projected shortage of affordable rental housing with its existing resources. However, rental housing production was uneven from fiscal 2002 to 2005, with an overall 44% decrease during this time due to some projects that did not materialize as expected. **DLS recommends that DHCD comment on how recent variation in rental housing production will affect its plans to address 40% of the State’s affordable rental housing shortage.**

Homeownership Progress Struggles Under Market Conditions: Since increased homeownership frees up rental units, DHCD expects that enhancements to its homeownership programs will help address up to 40% of the State’s projected shortage of affordable rental housing. However, the agency has assisted fewer than expected homebuying residents recently, primarily due to increasing home prices and low conventional interest rates. **DLS recommends that DHCD comment on how lower than expected assistance to homebuyers in recent years will affect its plans to address 40% of the State’s affordable rental housing shortage.**

Summary of Recommended Actions

	<u>Funds</u>
1. Reduce Community Legacy funds.	\$ 3,000,000
Total Reductions	\$ 3,000,000

Overview

General Funds Replace Bond Funds in Overall Capital Budget

Total funds for the DHCD capital budget are \$69.5 million in the fiscal 2007 allowance. This is a \$3.6 million increase over the fiscal 2006 working appropriation, as shown in **Exhibit 1**. These figures are for all DHCD capital funding, including programs funded solely with general obligation (GO) bonds. The most notable change in the allowance is a nearly complete replacement of GO bonds with general funds.

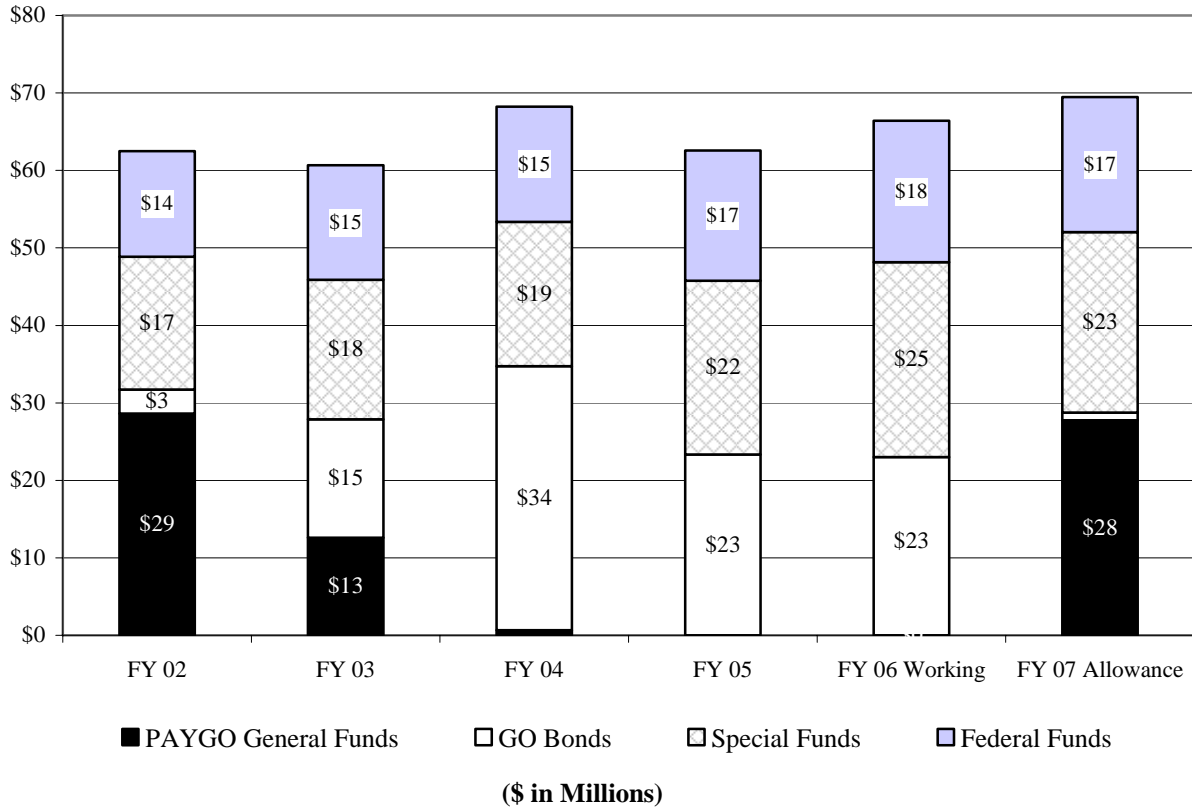
The allowance reverses a trend that began in fiscal 2003. At that time, due to statewide fiscal constraints and a shortage of general funds, the DHCD capital budget began shifting from use of general funds to GO bonds. Now that fiscal conditions have improved, general funds again appear in the DHCD capital budget.

In fact, the State has provided an incentive to use general funds rather than GO bonds by specifying that general funds for capital projects will not count toward the fiscal 2007 spending affordability limit. When general funds are available, they are preferable to paying for projects with debt because the debt service costs make total expenses for the projects higher. Furthermore, there are tax issues related to using proceeds from GO bonds, which are tax exempt, for private projects such as the rental housing construction supported by DHCD's grant and loan programs.

General Fund Increase More Than Offsets Decreases in Bonds and Special and Federal Funds

General funds total \$27.7 million in the allowance. This more than offsets the reduction of State funding through GO bonds from \$22.5 million in fiscal 2006 to \$1 million in 2007. Furthermore, it offsets special fund decreases of \$1.9 million and federal fund decreases of \$0.8 million.

**Exhibit 1
DHCD Capital Budget Funding Mix
Fiscal 2002 – 2007
(\$ in Millions)**



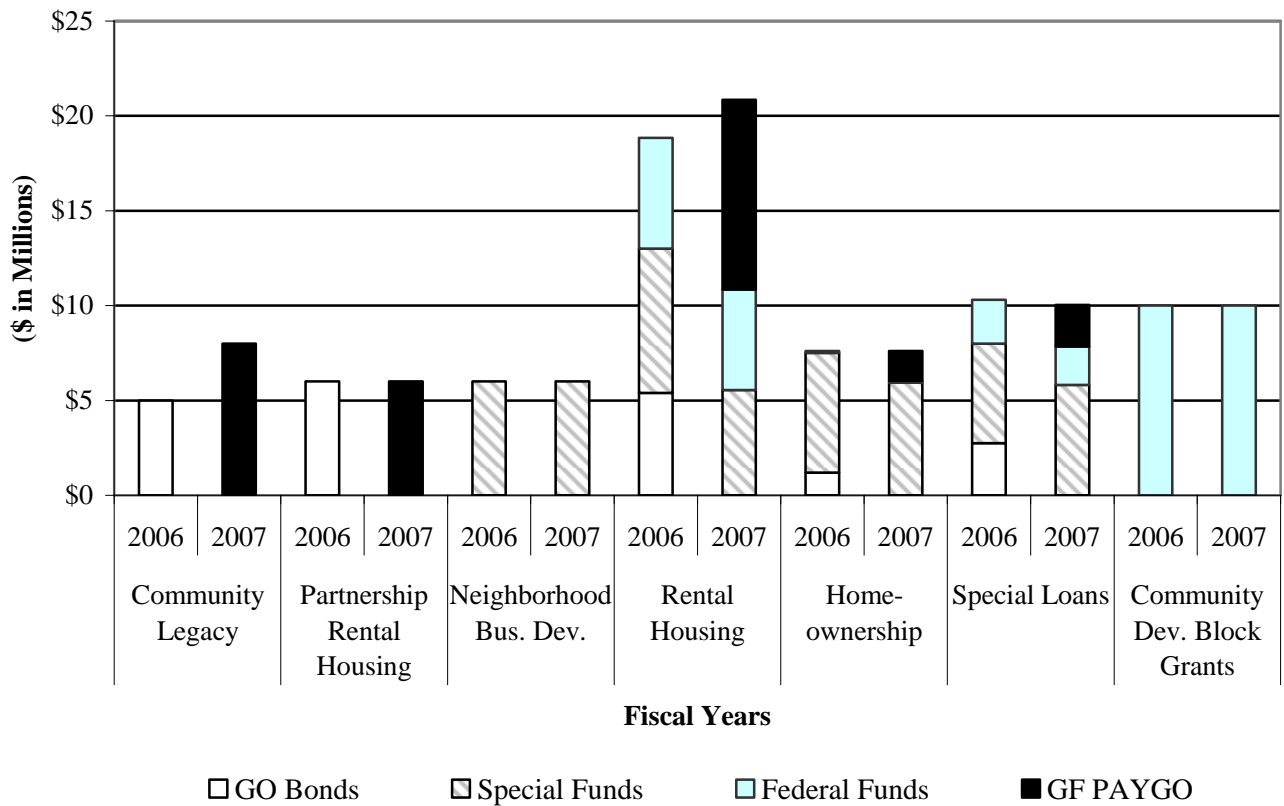
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Working FY 06</u>	<u>Allowance FY 07</u>	<u>\$ Change 06 – 07</u>	<u>% Change 06 – 07</u>
PAYGO General Funds	\$28.6	\$12.6	\$0.7	\$0.0	\$0.0	\$27.7	\$27.7	-
GO Bonds	3.1	15.3	34.1	23.3	22.5	1.0	-21.5	-95.6%
Special Funds	17.1	18.0	18.6	22.2	25.2	23.3	-1.9	-7.4%
Federal Funds	13.7	14.8	14.9	16.8	18.3	17.4	-0.8	-4.5%
Total Funds	\$62.5	\$60.7	\$68.2	\$62.4	\$65.9	\$69.5	\$3.6	5.4%

Note: Fiscal 2005 includes \$3 million in special funds from the dedicated purpose account for the Hurricane Isabel Housing Rehabilitation and Renovation program. The chart includes all DHCD capital funding including programs solely funded with GO bonds. Funds for the Maryland Historical Trust totaling \$200,000 in fiscal 2005 and \$450,000 in 2006 are not included, and funds for the Maryland Heritage Tax Credit program of \$20 million in fiscal 2006 are not included. These programs were transferred to the Maryland Department of Planning in fiscal 2006 as required by Chapter 440, Acts of 2005.

Source: Maryland State Capital Budget

Fund changes by program are shown in **Exhibit 2**. General funds are distributed among the Rental Housing, Community Legacy, Partnership Rental Housing, Special Loans, and Homeownership programs. All of the fiscal 2007 general fund amounts by program are higher than the 2006 GO bond amounts except in Special Loans.

Exhibit 2
DHCD Capital Budget Funds by Program
Fiscal 2002 – 2007
(\$ in Millions)



Source: Maryland State Capital Budget

The fiscal 2007 special fund decreases are in the Rental Housing and Homeownership programs, and the special funds increase is in the Special Loans program. DHCD reports that it considers special funds as a whole for all three of these programs; even though one may bring in more special funds than others, special funds are distributed among them according to DHCD’s projections of needs. Looking at federal funds, the Rental Housing and Special Loans programs see decreases. DHCD reports that the overall allocation of federal funds to Maryland decreased, which affected funds available.

Considering total funds by program, the Community Legacy program increases the most, rising from \$5 million in fiscal 2006 to \$8 million in 2007. Rental Housing has the next largest increase, at \$2 million. Other programs are level funded except for Special Loans, which decreases \$266,000 in the allowance due to lower federal funds available for the HOME Investment Partnership program. Altogether, DHCD programs in the PAYGO capital budget increase \$4.7 million. (The Shelter and Transitional Housing program is the only DHCD program to receive only GO bonds in fiscal 2007; it is budgeted for \$1 million.)

Note that previously the Maryland Heritage Structure Rehabilitation Tax Credit program was included in the DHCD budget, but now it is in the Maryland Department of Planning along with other Historical and Cultural Programs that were transferred.

Overview Issues

1. Primary Programs Generally Align with State’s Geographic Needs

Recent efforts associated with the Governor’s Commission on Housing Policy included a statewide study of housing demographics and affordability. A review of this study and additional data show that DHCD’s primary programs align with the State’s needs according to geographic area type.

Data by Urban, Suburban, Exurban, and Rural Area Types Can Help Guide Programs

The commission’s study developed categories of communities to guide the allocation of State housing and community development resources. The commission’s final report includes data categorized by urban, suburban, exurban, and rural areas. (DHCD developed criteria for the categories based on a review of various housing studies.) The areas represent U.S. Census Bureau block group, or sub-county, boundaries.

At the household level, urban households are dominant in Baltimore City, Montgomery, Baltimore, and Prince George’s counties. Suburban households are concentrated in Prince George’s, Anne Arundel, Montgomery, and Baltimore counties. The exurban areas of Carroll, Frederick, and Cecil counties have the most exurban households. The rural areas of St. Mary’s, Carroll, Frederick, Cecil, and Charles counties contain the most rural households.

One-third of Maryland Households – in All Area Types – Cannot Afford to Purchase Starter Homes

Statewide, about one-third of households cannot afford to purchase starter homes, as shown in **Exhibit 3**. This proportion is the same in every type of area – urban, suburban, exurban, and rural.

Homeownership affordability is affected by housing prices and household income. For the commission study, starter home prices are assumed to be 85% of the overall median home price, per the National Association of Realtors definition. A household meets the affordability threshold if its monthly mortgage payment does not exceed 25% of its monthly income.

Exhibit 3 Homeowner and Renter Household Data by Area Type Calendar 2000

	Area Type ¹				State Total
	Urban	Suburban	Exurban	Rural	
Total Number of Households	1,106,447	542,788	164,087	157,726	1,971,048
Percent of State Total	56%	28%	8%	8%	100%
Homeowner Households	626,832	441,977	137,531	132,784	1,339,124
Percent of Area Type	57%	82%	84%	84%	68%
Households That Cannot Afford Starter Homes²	377,713	180,918	55,910	52,105	666,646
Percent of Area Type	34%	33%	34%	33%	34%
Renter Households	480,726	99,245	26,428	24,600	630,999
Percent of Area Type	43%	18%	16%	16%	32%
Households That Cannot Afford Median Rent³	457,821	134,290	32,795	31,778	656,684
Percent of Area Type	41%	25%	20%	20%	33%

¹ DHCD developed area types based on population, housing and street densities, and proximity, which involves adjacency and commuting distances. Areas represent U.S. Census Bureau block group, or sub-county, boundaries.

² Household income and housing price data are from the 2000 census. Interest rate data are from Maryland Association of Realtors information 2000 to 2003.

³ Household income and median rent data are from the 2000 census.

Source: Department of Housing and Community Development; *Governor's Commission on Housing Policy Final Report 2004*

In terms of homeownership rates, urban areas have the farthest distance to cover. Exhibit 3 shows that in urban areas homeowners account for 57% of the households, whereas in all other areas homeowners make up 82 to 84% of the households. Indeed, as shown in **Exhibit 4**, DHCD’s primary homeownership program focuses on urban areas, with three-fourths of the resources going there.

Exhibit 4
DHCD Programs by Area Type
Fiscal 2006

	Area Type Percent of Program			
	<u>Urban</u>	<u>Suburban</u>	<u>Exurban</u>	<u>Rural</u>
Homeownership				
More House 4 Less (loans purchased January 1, 2003 to January 4, 2006)	75%	16%	5%	3%
Rental Housing				
Multifamily Projects	58%	31%	4%	7%
Community Programs				
Neighborhood Business Works	74%	19%	7%	0%
Community Legacy*	45%	41%	11%	2%

* About 1% of Community Legacy programs are in non-specific geographic areas.

Note: Numbers may not sum to total due to rounding.

Source: Department of Housing and Community Development

It should be noted, however, that in every area type many households hold mortgages that are substantially less than the market price of their homes. Income data reveal that a large portion of these households do not reach the homeownership affordability threshold in their respective area type despite being homeowners. Therefore, repeat homebuyers in any area may face the same challenges as first-time buyers.

One-third of Maryland Households – Particularly in Urban Areas – Cannot Afford Median Rent

As with starter home affordability, about one-third of households statewide cannot afford median rents. In the rental case, however, urban areas have the largest proportion of households that cannot afford rents.

As shown in Exhibit 3, 41% of households in urban areas cannot afford median rent. In other areas, 20 to 25% of the households cannot afford median rent. An affordable unit is defined as one where a renter spends less than 30% of gross income on rent. Exhibit 4 shows that DHCD's rental programs focus on urban areas, with 58% of the program resources going there.

Affordable rental housing is of particular concern for workforce and low-income families, seniors, and individuals with disabilities at Supplemental Security Income levels (below \$7,000 annually). DHCD produced a report for the Commission on Housing Policy that highlights the rental housing challenges for these groups, particularly those who earn less than 50% of the area median income (calculated separately for each county) and pay more than 30% of their income for rent.

DLS recommends that DHCD comment on how the housing data by geographic area type can further ensure the agency best allocates its resources.

2. DHCD Will Stretch Existing Resources to Increase Coverage of Rental Shortage from 28 to 40%

Need for Affordable Rental Housing Expected to Reach 157,000 by 2014

The need for affordable rental housing is expected to grow in the coming years. As of 2000, Maryland had a deficit of about 125,000 affordable and available workforce rental housing units. The shortage is expected to increase to 157,000 units by 2014, a 26% rise. Most (two-thirds) of the shortage is expected to affect families.

DHCD finances the production of about 2,700 units of affordable rental housing units annually. If the agency continues to produce at this rate, the projected rental housing shortage will be reduced by only 27,000 units from 2000 to 2014, leaving the shortage at an estimated 112,750 units. **Exhibit 5** shows the detail.

Exhibit 5
Addressing the Affordable Rental Housing Shortage Gap
Fiscal 2004 – 2014

	<u>Current DHCD Production</u>	<u>With DHCD Program Enhancements</u>
Rental Housing Production	2,709	3,609
Homeownership Production*	1,716	2,616
Total Number of Rental Housing Units Produced Annually	4,425	6,225
Shortage Over 10 Years (2004 to 2014)	157,000	157,000
Units Produced Over 10 Years	44,250	62,250
Percent of Shortage Covered	28%	40%
Remaining Shortage at End of 10 Years	112,750	94,750

*Increased homeownership directly affects the workforce affordable rental housing market by freeing up occupied rental units and by reducing the demand for rental housing.

Source: Department of Housing and Community Development; *Workforce Affordable Housing in Maryland*, December 2004

State Funds Cover About 7% of Each New Unit’s Costs

DHCD’s production of 2,700 rental housing units each year is based on the funding sources it controls. These sources include:

- State appropriations, currently about \$18 million annually (not including \$4 million the State receives in federal HOME funds for the Special Loans program);
- federal 9% Low Income Housing Tax Credit (LIHTC) allocations of about \$10 million annually;
- loans financed by tax exempt bonds, which are subject to DHCD’s \$150 million tax-exempt revenue bond volume cap (current volume is about \$110 million per year);
- loans financed by taxable bonds; and

- federal 4% LIHTC allocations that are automatically awarded to projects that use tax exempt bonds, provided the bond finances more than 50% of the project cost.

Other funding sources for multifamily rental housing include loans from private lenders and other government sources, as well as developer equity, often in the form of a deferred fee. DHCD estimates that each unit of rental housing costs \$114,000 to produce. Over the past five years, DHCD-controlled funding sources have supported an average of 72% of the development costs of rental housing produced by DHCD. Of this amount, about \$8,208 per unit (7% of the total) is from State funds.

About 1,800 Additional Units to Be Produced Annually with Enhancements

By devising new ways to use the existing funds it controls, DHCD estimates it can create about 900 additional multifamily rental units annually. Enhancements in existing homeownership programs are expected to free up an additional 900 rental units. Exhibit 5 shows that these efforts should increase the agency's coverage of the rental housing shortfall from 28 to 40%. DHCD notes that it cannot by itself address the shortfall. Partners from all levels of government and the private sector will be needed.

Rental Housing Enhancements

New approaches for multifamily rental projects include:

- combining State loans and (nonbudgeted) bond funds issued by the agency's Community Development Administration (CDA),
- optimizing the number of tax credit only projects, and
- improving DHCD's bond program.

DHCD has submitted legislation (SB 126) for the 2006 session that would expand the Partnership Rental Housing Program. This program provides loans to local governments to finance rental housing construction, and local governments are required to provide the finished site with infrastructure improvements as well as to own the property and oversee operations. The legislation intends to streamline the participation process for local governments, particularly by providing flexibility in how the local contribution level is determined. It also intends to enable the program to finance privately owned housing for individuals with disabilities. In exchange, the private developer would be required to rent a certain number of units to individuals with disabilities at affordable rents.

Generating any additional rental units beyond DHCD's planned enhancements would require new funding sources. DHCD says that each additional unit would cost about \$112,000, and, assuming no new financing techniques and a traditional financing vehicle, \$63,000 (or 56%) of the production costs would need to come from State resources. The agency reports that more State

resources would be needed than for units in current production efforts because the estimate assumes a maximum State contribution in order to further stretch non-state funding sources.

Homeownership Enhancements

Increased homeownership directly affects the workforce affordable rental housing market by freeing up occupied rental units and by reducing the demand for rental housing. There is good news in that national data from Fannie Mae (provided by DHCD) indicate that homeownership rates – for the total United States population as well as specifically for minorities – will increase about 5% through 2014.

DHCD reports it can increase its homeownership production by about 900 units per year without additional State funding. The agency already has restructured its Maryland Mortgage Program and launched the More House 4 Less initiative in April 2003; these are based on (nonbudgeted) bond funds issued through CDA.

These and other new approaches are based on the following strategies:

- increasing borrowing options, such as providing interest-only loans and down payment and settlement expense assistance;
- lowering interest rates and providing interest rate lock periods;
- improving branding and marketing;
- enhancing DHCD's tax-exempt revenue bond program; and
- creating new partnerships with private lenders to assist potential borrowers who are not eligible for DHCD's tax exempt bond program.

The new DHCD efforts include a focus on improving workforce affordable housing, as with the employer-assisted House Keys 4 Employees program. Workforce housing usually refers to housing for civil servants such as police officers, firefighters, and teachers who may be obliged to live far from their workplace because of a lack of affordable housing. Household income for this group is generally defined as 80 to 120% of area median income.

DLS recommends that DHCD comment on progress toward its rental and homeownership program enhancements, and whether it expects to generate an additional 1,800 rental units in fiscal 2006.

3. Bridge Subsidy Program and Equity Fund Are Additional Priorities Among Housing Commission Recommendations

Governor Robert L. Ehrlich, Jr., issued an executive order in March 2003 that created the Governor's Commission on Housing Policy. The purpose of the commission was to recommend to the Governor specific and measurable actions that could increase and preserve quality affordable housing in all Maryland communities. In December 2004, the commission submitted eight recommendations to the Governor.

Bridge Subsidy Demonstration Program

Establishing a Bridge Subsidy program for individuals with disabilities is one of DHCD's priorities in implementing the recommendations. This program will provide short-term rental assistance for 75 to 100 individuals annually, for up to three years, while they await permanent housing assistance such as a HUD Section 8 voucher. A memorandum of understanding among DHCD, local housing authorities, and other housing entities is pending. This agreement outlines how eligible participants will be identified and how the program will be carried out. DHCD expects to begin offering rental assistance payments in February or March.

The Bridge Subsidy program's cost is estimated at \$700,000 each year for three years, for a total of \$2.1 million. DHCD has committed \$1.2 million in funding, which will be made available from the agency's contract administration funds from the U.S. Department of Housing and Urban Development. Local and other sources will be pursued to contribute the remainder.

Maryland Equity Fund

Another priority for DHCD is to implement the commission's recommendation concerning a Maryland Equity Fund. In fact, the fund has been established and project funding is anticipated in the first half of 2006. This private equity fund can, among other things, reduce borrowing costs on multifamily rental development.

The fund is envisioned as a "double bottom line" private equity fund or family of funds. The first bottom line is a risk-adjusted, upper-quartile market rate of return for institutional investors. The second bottom line includes positive economic, social, and environmental benefits, as defined by the funds' governing body, which are produced by the investments.

The equity fund market assessment identified significant potential demand in Maryland for housing and commercial tracts in low- and moderate-income areas (up to 120% of area median family income). The assessment considered growth projections for factors such as population, households, and employment. The assessment estimates \$2.2 billion in total market potential. This far surpasses the general rule that \$500 million in potential deal flow is needed, DHCD reports.

DLS recommends that DHCD comment on the current status of the Bridge Subsidy Demonstration Program and the Maryland Equity Fund, and what types of projects are expected to be supported with the Equity Fund.

SA00 – Department of Housing and Community Development – PAYGO

Consolidated Administrative Expenses – All Programs

	FY 2005 Actual	FY 2006 Estimated	FY 2007 Estimated
Sources:			
Special Funds			
Maryland Historic Trust	\$0	\$0	\$0
Neighborhood Business Revitalization	1,238,411	901,297	1,201,010
Rental Housing Program	1,969,316	2,594,909	2,601,758
Homeownership Program	1,889,934	1,490,583	1,500,022
Special Loan Program	1,372,757	1,601,941	1,595,442
Subtotal – Special Funds	\$6,470,418	\$6,588,730	\$6,898,232
General Funds	0	0	0
Other Special	3,153,106	3,390,760	3,803,915
Federal Funds	0	0	0
Total Funds	\$9,623,524	\$9,979,490	\$10,702,147

Uses:			
Direct Expenses	\$6,139,846	\$7,152,423	\$7,539,808
Indirect Expenses			
Legal Services	665,428	609,296	630,666
CDA Administration	590,396	428,127	350,735
Asset Management	515,591	536,554	459,850
General (Office of Secretary, Personnel, etc.)	1,712,263	1,253,090	1,721,088
Total Direct & Indirect Expenses	\$9,623,524	\$9,979,490	\$10,702,147

The administration of PAYGO funds in DHCD is complicated in that the units which 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 20% of any PAYGO fund's annual lending activity for administrative expenses. The agency is able to meet this somewhat artificial limit because of other sources of funds – administration funds under federal grants and the General Bond Reserve Fund (GBRF), most notably – are available to meet the expenses of the operating units. **DLS recommends that DHCD comment on why administrative expenses have increased from 15 to 20% of lending activity.**

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$377,450	\$72,359	\$0
REVENUE			
General Funds	0	0	8,000,000
GO Bonds	5,000,000	5,000,000	0
Transfer from Other Funds	0	0	0
Loan Repayments and Interest	72,359	300,000	400,000
TOTAL REVENUE	5,072,359	5,300,000	8,400,000
TOTAL AVAILABLE	5,449,809	5,372,359	8,400,000
ENCUMBRANCES			
Loans	5,377,450	5,000,000	8,000,000
Operating Expenses	0	372,359	400,000
TOTAL ENCUMBRANCES	5,377,450	5,372,359	8,400,000
Ending Balance	\$72,359	\$0	\$0

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000
GO Bonds	5.000	5.000	0.000	0.000	0.000	0.000	0.000
Total	\$5.000	\$5.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000

Recommended Actions

1. Reduce \$3,000,000.

Fiscal 2007 Proposed Projects

Community Legacy funds are awarded annually on a competitive basis.

Fiscal 2006 Project Status

Fiscal 2006 Community Legacy projects have not yet been approved by the Board of Public Works. Following is a list of project applications received for fiscal 2006 and a list of fiscal 2005 approved projects.

Fiscal 2006 Applications Received

<u>Applicant</u>	<u>Project Name</u>	<u>County</u>	<u>Amount Requested</u>
Cumberland, City of	New Facility Construction	Allegany	\$410,000
Cumberland, City of	Upper Story Redevelopment	Allegany	205,000
Cumberland, City of	Live and Work Under the Same Roof	Allegany	205,000
Cumberland, City of	Virginia Avenue Corridor Redevelopment Plan	Allegany	307,500
Cumberland, City of	Rehabilitation/Code Compliance Program	Allegany	250,000
Cumberland, City of	Community Betterment Areas Homestead Project	Allegany	77,900
Cumberland, City of	Demolition/Blight Removal	Allegany	205,000
Cumberland, City of	Wills Mountain Acquisition	Allegany	307,500
Frostburg, City of	Main Street Revolving Loan Fund	Allegany	512,500
Annapolis, City of – Clay Street	Acquisition Rehabilitation	Anne Arundel	379,250
Annapolis, City of – Bates Neighborhood	Smithville Streetscape Improvement	Anne Arundel	136,193
Anne Arundel County Development Services	Brooklyn Park Rehabilitation Program	Anne Arundel	410,000
Dundalk Renaissance Corporation	Housing Restoration Program	Baltimore	250,000
B & O Railroad Museum, Inc.	B&O Railroad Museum Whistle-Stop Gateway Project	Baltimore City	200,000
Diakon Lutheran Social Ministries	Diakon Place	Baltimore City	300,000
Diakon Lutheran Social Ministries	Ashland Park Project in Madison East End	Baltimore City	150,000
Baltimore Dept. of Housing & Comm. Dev.	1200 Block of N. Washington Street	Baltimore City	153,750
Baltimore Dept. of Housing & Comm. Dev.	Poppleton Housing Initiative	Baltimore City	466,391
Baltimore Dept. of Housing & Comm. Dev.	Hollins Market Homesteading Initiative	Baltimore City	237,072
Baltimore Dept. of Housing & Comm. Dev.	Neighborhood Conservation Program – W. Arlington	Baltimore City	206,497
Jubilee Baltimore, Inc.	Penn North	Baltimore City	256,250
Jubilee Baltimore, Inc.	Upper Eutaw Place/Madison Avenue	Baltimore City	256,250
Unitarian Universalist	Neighborhood Intervention in Urban and Rural Communities	Baltimore City	300,000
Southeast Community Development Corp.	Eastern Avenue Commercial Intervention	Baltimore City	512,500
Baltimore Development Corporation	Roll Down Gate Removal Project	Baltimore City	250,000
Sharp-Leadenhall Planning Committee, Inc.	Solo Gibbs Community Resource Center	Baltimore City	499,187
Comprehensive Housing Assistance, Inc.	Housing Renovation	Baltimore City	100,000
Comprehensive Housing Assistance, Inc.	Neighborhood Park and Playground @ Fallstaff School	Baltimore City	100,000
Patterson Park Community Dev. Corp.	Library Square Historic Facade Renovations	Baltimore City	153,750
East Baltimore Development	Ashland Apartments	Baltimore City	9,203,738

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<u>Applicant</u>	<u>Project Name</u>	<u>County</u>	<u>Amount Requested</u>
CARED, Inc	Green Homes for Young Professionals	Baltimore City	307,500
Unity Properties, Inc.	Home Improvement Program	Baltimore City	150,000
North Beach, Town of	Chesapeake Avenue Underground Utilities Project	Calvert	500,000
Federalsburg, Town of	Historical Society's Museum and Headquarters	Caroline	128,000
Denton Development Corporation	Fourth Street Redevelopment Phase II	Caroline	400,000
Taneytown, City of	Community Legacy Plan Approval Only – NO Funding Requested	Carroll	0
Westminster, City of	Union Street Community Center	Carroll	205,000
Westminster, City of	Workforce Housing Initiative	Carroll	102,500
Westminster, City of	Homeownership Initiative	Carroll	20,625
Westminster, City of	Pennsylvania Avenue Streetscape Engineering Study	Carroll	51,250
Ministers Alliance of Charles County and Vicinity, Inc.	Embassy Complex Phase II	Charles	287,000
Cambridge, Commissioners of	High Street Infrastructure and Streetscape Improvements	Dorchester	717,500
Cambridge, Commissioners of	Harriet Tubman Museum and Education Center	Dorchester	246,000
Cambridge, Commissioners of	Chesapeake College Facade	Dorchester	512,500
Cambridge, Commissioners of	Transitional Shelter	Dorchester	96,727
Cambridge, Commissioners of	Gateway Signage	Dorchester	3,075
Town of Thurmont	Community Legacy Plan Approval Only – NO Funding Requested	Frederick	0
Brunswick, City of	Brunswick Heights Improvement Project	Frederick	133,070
Garrett County Community Action Committee, Inc.	Streetscape Improvement Project	Garrett	126,075
Garrett County Community Action Committee, Inc.	Loch Lynn Community Building	Garrett	66,625
Garrett County Community Action Committee, Inc.	Façade Program	Garrett	41,000
Garrett County Community Action Committee, Inc.	Fort Alice Acquisition	Garrett	51,250
Garrett County Community Action Committee, Inc.	Kitzmiller Housing Project	Garrett	51,250
Unitarian Universalist	Neighborhood Intervention-Garrett County	Garrett	200,000
Harford County	Housing Incentive Rehabilitation Loan Program	Harford	256,250
Howard County Dept. of Housing & Community Development	Corridor Housing Development Project	Howard	455,385
Montgomery County	Art's Alley at Blair Mill	Montgomery	400,000
Montgomery County	Small Business Loan Fund	Montgomery	300,000
Gaithersburg, City of	North Summit Avenue Olde Towne Connection Project	Montgomery	125,500
Washington Area Housing Trust Fund	Acquisition of Moderately Priced Dwelling Units	Montgomery	500,000

SA00 – Department of Housing and Community Development – PAYGO

<u>Applicant</u>	<u>Project Name</u>	<u>County</u>	<u>Amount Requested</u>
Takoma Park, City of	Tenant Opportunity to Purchase Revolving Loan Fund	Montgomery	50,000
Takoma Park, City of	Old Town Commercial Revitalization	Montgomery	256,250
Bowie, City of	Street Improvement Program	Prince George's	399,750
Colmar Manor, Town of	Colmar Manor Town Center	Prince George's	500,000
Central Gateway Community Development Corp.	Kingdom Square Facade Program	Prince George's	800,000
Bladensburg, Town of	Bostwick Structural Stabilization	Prince George's	337,179
Port Towns Community Development Corporation	Business Façade Program	Prince George's	200,000
Hyattsville, City of	Rehabilitation of 4318 Gallatin Street	Prince George's	777,975
Hyattsville, City of	Business Improvement / Conversion Loans	Prince George's	202,000
Hyattsville, City of	Public Safety Improvements to Hamilton Street	Prince George's	111,469
Seat Pleasant, City of	Neighborhood Revitalization	Prince George's	256,250
Seat Pleasant, City of	Slum and Blight Removal	Prince George's	756,250
College Park, City of	Downtown Redevelopment and Parking Garage	Prince George's	862,435
College Park, City of	North Gate Subarea Access Improvements	Prince George's	92,250
College Park, City of	North Gate Park	Prince George's	208,588
Washington Area Community Investment Fund	Housing/Community-Based Technical Assistance Program	Prince George's	300,000
Mount Rainier, City of	3409 Redevelopment	Prince George's	205,000
CARED, Inc	Walker Mill Day Care and Community Training Center	Prince George's	235,750
Leonardtown, Commissioners of	Leonardtown Wharf	Saint Mary's	404,000
St. Mary's County Housing Authority	Colony Square Revitalization Project	Saint Mary's	487,500
Easton, Town of	Frederick Douglass Monument Project	Talbot	200,000
Easton, Town of	Easton Facade Improvement Program	Talbot	75,000
Easton, Town of	Upper Story Redevelopment	Talbot	150,000
Easton, Town of	Avalon Theatre Project	Talbot	36,000
Hagerstown, City of	Historic Alms House	Washington	200,000
Salisbury, City of	Isabella Street Streetscape	Wicomico	184,500
Berlin, Town of	Community Legacy Plan Approval Only – NO Funding Requested	Worcester	0
Ocean City Development Corp.	Facade Improvements	Worcester	50,000
Ocean City Development Corp.	Land Acquisition	Worcester	100,000
Ocean City Development Corp.	Demolition	Worcester	50,000
Pocomoke, City of	Downtown Streetscape Project	Worcester	47,068
Pocomoke, City of	Sturgis One-Room School Museum Improvements	Worcester	5,125
Pocomoke, City of	Mar-Va Theater Sound System	Worcester	30,733
Pocomoke, City of	Downtown Building Interior Rehabilitation	Worcester	92,250
Total			\$32,098,633

Fiscal 2005 Project Status

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Amount</u>
Cumberland, City of	Rehabilitation/Code Compliance Program	Allegany	\$125,000
Frostburg, City of	Main Street Revolving Loan Fund	Allegany	100,000
Frostburg, City of	Dilapidated Demolition	Allegany	15,000
Anne Arundel County	Brooklyn Park Property Rehabilitation Program	Anne Arundel	100,000
Dundalk Renaissance Corporation	Housing Restoration Program	Baltimore	100,000
Jubilee Baltimore, Inc.	Eutaw Place/Madison Avenue Historic District	Baltimore City	200,000
Patterson Park Community Development Corp.	Historic Façade Renovations	Baltimore City	100,000
Knox Community Development Corporation	Dawson Safe Haven for Children, Youth and Families	Baltimore City	214,271
Unity Properties, Inc.	OROSW Home Improvement Program	Baltimore City	97,609
Brooklyn and Curtis Bay Coalition, Inc.	Sixth Street Townhouses	Baltimore City	50,000
Brooklyn and Curtis Bay Coalition, Inc.	Welcome Home	Baltimore City	102,500
Community Capital of Maryland, Inc.	Northeast Baltimore Neighborhood Intervention	Baltimore City	100,000
Washington Village-Pigtown Neighborhood Planning Council	Pigtown Main Street Revolving Loan Fund	Baltimore City	150,000
Great Blacks In Wax Museum, Inc.	Landscape & Physical Improvement Project	Baltimore City	150,000
Calvert County	Interior Restoration of the Linden House	Calvert	75,000
Denton, Town of	Fourth Street Redevelopment Phase II	Caroline	50,000
Port Deposit, Town of	Revolving Loans for Businesses and Homeownership	Cecil	25,000
Charles County, Commissioners of	Laurel Springs Special Playground For All	Charles	100,000
New Community CDC	New Community	Charles	150,000
Garrett County, Maryland, Community Action Committee, Inc.	Façade Program	Garrett	25,000
Garrett County, Maryland, Community Action Committee, Inc.	Streetscape Improvements	Garrett	75,000
Garrett County, Maryland, Community Action Committee, Inc.	Kitzmiller Credit Union Development	Garrett	39,975
Garrett County, Maryland, Community Action Committee, Inc.	Pritts Building Demolition	Garrett	100,000
Bel Air, Town of	Bel Air Armory	Harford	175,000
Havre de Grace, City of	Façade Improvements – Pennington Ave.& Franklin St.	Harford	76,875
Harford County	Edgewood Revitalization Loan Fund Phase II	Harford	30,000
Howard County Dept. of Housing & Community Development	Corridor Housing Development Project	Howard	150,000
Laurel, City of	Historic Main Street Streetscape	Prince George's	107,625

SA00 – Department of Housing and Community Development – PAYGO

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Amount</u>
Housing Initiative Partnership, Inc.	Infamous Houses	Prince George's	20,000
Housing Initiative Partnership, Inc.	High Risk Rehab Loan Program	Prince George's	50,000
Hyattsville, City of	4307 Jefferson Street	Prince George's	300,000
Fairmount Heights, Town of	Homeowner Occupied Rehabilitation Program	Prince George's	50,000
Fairmount Heights, Town of	Acquisition Revovation Program	Prince George's	150,000
Hyattsville, City of	Public Safety Improvements to Hamilton Street	Prince George's	110,000
Gateway Municipalities Community Development Corp.	World Arts Focus/Joe's Movement Emporium	Prince George's	150,000
Seat Pleasant, City of	Demolition of vacant houses	Prince George's	75,000
College Park, City of	Parking Garage & Land Acquisition	Prince George's	150,000
Port Towns Community Development Corporation	Port Towns Commercial Façade Improvements	Prince George's	75,000
District Heights, City of	District Heights Commercial Area Revitalization	Prince George's	250,000
Mount Rainier, City of	Community Center	Prince George's	2,950
Mount Rainier, City of	34th Street Shops, Etcetera	Prince George's	50,000
St. Mary's County, Board of Commissioners	Nicolet Park Entrance – Road Sidewalk Project	St. Mary's	50,000
Crisfield, City of	Grant Building Demolition	Somerset	75,000
Easton, Town of	Upper Story Redevelopment Gap Financing	Talbot	75,000
Easton, Town of	East End Community Garden	Talbot	3,723
Easton, Town of	Strategic Acquisition Fund	Talbot	25,000
Easton, Town of	Graham's Park Phase II	Talbot	46,154
Hagerstown, City of	Massey Redevelopment	Washington	50,000
Salisbury, City of	Rose/Lake Street Redevelopment	Wicomico	66,318
Ocean City Development Corp.	OCDC Downtown Facade Improvement Program	Worcester	50,000
Ocean City Development Corp.	The Tarry A While Guest House	Worcester	100,000
Ocean City Development Corp.	Streetscape of South First Street	Worcester	50,000
Pocomoke, City of	Pocomoke River Discovery Center Exterior Work	Worcester	75,000
Pocomoke, City of	Downtown Facade Improvements	Worcester	35,000
Pocomoke, City of	Demolition of former grocery store building	Worcester	82,000
Total			\$5,000,000

Neighborhood Business Development Program (Statewide)

PAYGO SF \$6,000,000 **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 each project and is designed to supplement private financing and equity from the borrower. Applicants must secure private financing equal to a 50% match on State loan funds and provide a 5% equity investment to receive a low-interest or deferred payment loan. The program also provides grants to nonprofit organizations that 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. CAP is not a direct loan program; it leverages private funds at an average rate of 40 to 1.

Chapter 209 of 2004 authorized DHCD to sell, assign, or otherwise dispose of up to \$4.0 million annually of the NBDP portfolio. The sale proceeds must be applied to the NBDP fund, and DHCD must make a reasonable good faith effort to commit 25% of the loans and grants to microenterprises. The legislation enabling the portfolio sales became effective October 2004. No sale has yet occurred, but DHCD reports that it is actively pursuing one.

Program Performance Analysis: In fiscal 2005, NBDP provided financing of \$5.6 million to 19 small businesses, a 75% increase over fiscal 2004. The program provided \$448,000 to 11 nonprofit organizations in fiscal 2005, a 9% increase over fiscal 2004. DHCD estimates that 452 new jobs were created and 307 jobs were retained in fiscal 2005 with NBDP funds.

In the fund data below, loan repayments and interest are expected to increase \$1.6 million from fiscal 2006 to 2007. DHCD reports that there have been more pre-payments than expected, and that the anticipated sale of \$1 million of the NBDP portfolio annually will enable more loan activity, with increased repayment volume beginning in fiscal 2007.

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$4,175,595	\$1,845,349	\$289,066
REVENUE			
General Funds	0	0	0
GO Bonds	0	0	0
Transfer from Other Funds	0	0	0
Canceled Encumbrances	10,691	408,000	408,000
Loan Repayments and Interest	4,950,028	4,935,717	6,509,159
TOTAL REVENUE	4,960,719	5,343,717	6,917,159
TOTAL AVAILABLE	9,136,314	7,189,066	7,206,225
ENCUMBRANCES			
Loans	6,091,000	6,000,000	6,000,000
Operating Expenses	1,199,965	900,000	1,200,000
TOTAL ENCUMBRANCES	7,290,965	6,900,000	7,200,000
Ending Balance	\$1,845,349	\$289,066	\$6,225

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO SF	\$6.091	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000
Total	\$6.091	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

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

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
Caribbean Kitchen	Baltimore City	\$80,000
Pazza Luna	Baltimore City	250,000
Timothy Dean Bistro	Baltimore City	500,000
I Can't We Can, Inc.	Baltimore City	35,000
Falls Hotel	Cecil	300,000
Brandywine LLC	Frederick	250,000
Gallery 1115	Montgomery	250,000
Bales Ventures	Prince George's	85,000
Bay District Volunteer Fire Dept.*	St. Mary's	2,273,551
Capital Access Program	Various	22,228
Total – Grants and Loans		\$4,045,779
Capital Access Program		
Various		\$22,228
Total – Capital Access		\$22,228
Applications Received and Being Processed		\$1,078,181

* Split with fiscal 2004

Community Development Block Grant Program (Statewide)

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 to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services. Entitlement areas receive a direct allocation of CDBG funds from the U.S. Department of Housing and Urban Development (HUD) 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, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury.

Program Performance Analysis: HUD requires that at least 70% of the funds benefit low- and moderate-income individuals. States can choose whether to meet this requirement in a one- or three-year period. Maryland chose a three-year period, with fiscal 2003 to 2005 being the most recent time frame, and 72% funds benefited low- and moderate-income individuals.

In fiscal 2005, the CDBG program approved 23 multi-year projects, primarily in rural areas. DHCD estimates that the projects will improve housing for 123 individuals; improve sewer and water systems, streets, and parking for 17,587 individuals; improve or construct community and drug rehabilitation centers for 19,678 individuals; and improve homeless management information systems for 5,801 individuals.

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$0	\$0	\$0
REVENUE			
Federal Funds	12,163,868	10,430,000	10,430,000
TOTAL REVENUE	12,163,868	10,430,000	10,430,000
TOTAL AVAILABLE	12,163,868	10,430,000	10,430,000
ENCUMBRANCES			
Loans and Grants	11,676,461	10,000,000	10,000,000
Federal Administrative Expenses	487,407	430,000	430,000
TOTAL ENCUMBRANCES	12,163,868	10,430,000	10,430,000
Ending Balance	\$0	\$0	\$0

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO FF	\$10.000	\$10.000	\$10.000	\$9.000	\$9.000	\$9.000	\$9.000
Total	\$10.000	\$10.000	\$10.000	\$9.000	\$9.000	\$9.000	\$9.000

Recommended Actions

1. Concur with Governor’s allowance.

Fiscal 2007 Proposed Projects

Applications from non-entitlement local governments will be due in spring 2006, and awards will be made after July 1, 2006.

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
City of Frostburg	Allegany	\$800,000
County Commissioner of Allegany Co	Allegany	172,000
Town of Denton	Caroline	800,000
Town of Federalsburg	Caroline	500,000
County Commissioner of Carroll Co	Carroll	438,433
Town of Elkton	Cecil	120,000
Town of Port Deposit	Cecil	300,000
County Commissioner of Charles Co	Charles	221,250
Town of Hurlock	Dorchester	150,000
County Council of Dorchester Co	Dorchester	255,000
County Commissioner of Kent Co	Kent	305,275
County Commissioner of Kent Co	Kent	252,000
County Commissioner of Queen Anne's County	Queen Anne's	800,000
County Commissioner of Somerset Co	Somerset	220,000
County Commissioner of Wicomico Co	Wicomico	375,000
Town of Sharpton	Wicomico	130,000
Town of Berlin	Worcester	183,750
City of Pocomoke	Worcester	256,000
Subtotal – Encumbered		\$6,278,708
Reserved – Not Yet Encumbered		1,256,107
Grand Total		\$7,534,815

Rental Housing Programs (Statewide)

PAYGO GF	\$10,000,000	Recommendation:	Approve
PAYGO SF	\$5,542,000		
PAYGO FF	\$5,300,000		

Program Description: Five programs are funded through the Rental Housing Programs: (1) Rental Housing Production Program; (2) Elderly Rental Housing Program; (3) Maryland Housing Rehabilitation Program-Multi-family; (4) Nonprofit Rehabilitation Program; and (5) Office and Commercial Space Conversion Program. The program provides low-interest or deferred payment loans for rental housing developments targeting very low-income households. In general, projects serve families with incomes below 60% of the area median, with priority given to projects serving families with incomes below 30% of the area median. The maximum loan amount generally is \$1.5 million per project, with an interest rate as low as 4% for as many as 40 years.

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$2,698,413	\$4,185,637	\$0
REVENUE			
GO Bonds	7,409,000	5,395,000	7,458,000
Federal Funds	4,555,042	6,435,000	5,830,000
Transfer from Other Funds	0	436,874	0
Canceled Encumbrances	0	47,872	47,872
Loan Repayments and Interest	9,207,624	7,934,617	8,094,128
TOTAL REVENUE	21,171,666	20,249,363	21,430,000
TOTAL AVAILABLE	23,870,079	24,435,000	21,430,000
ENCUMBRANCES			
Loans	17,500,000	20,850,000	18,300,000
State Operating Expenses	1,973,400	3,000,000	2,600,000
Federal Operating Expenses	211,042	585,000	530,000
TOTAL ENCUMBRANCES	19,684,442	24,435,000	21,430,000
Ending Balance	\$4,185,637	\$0	\$0

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$10.000	\$6.150	\$6.050	\$5.900	\$7.000
GO Bonds	7.409	5.395	0.000	0.000	0.000	0.000	0.000
PAYGO SF	4.247	7.605	5.542	5.850	5.950	6.100	6.000
PAYGO FF	5.544	5.850	5.300	5.300	5.300	5.300	5.300
Total	\$17.200	\$18.850	\$20.842	\$17.300	\$17.300	\$17.300	\$18.300

Issues

1. Rental Housing Production Has Varied in Recent Years

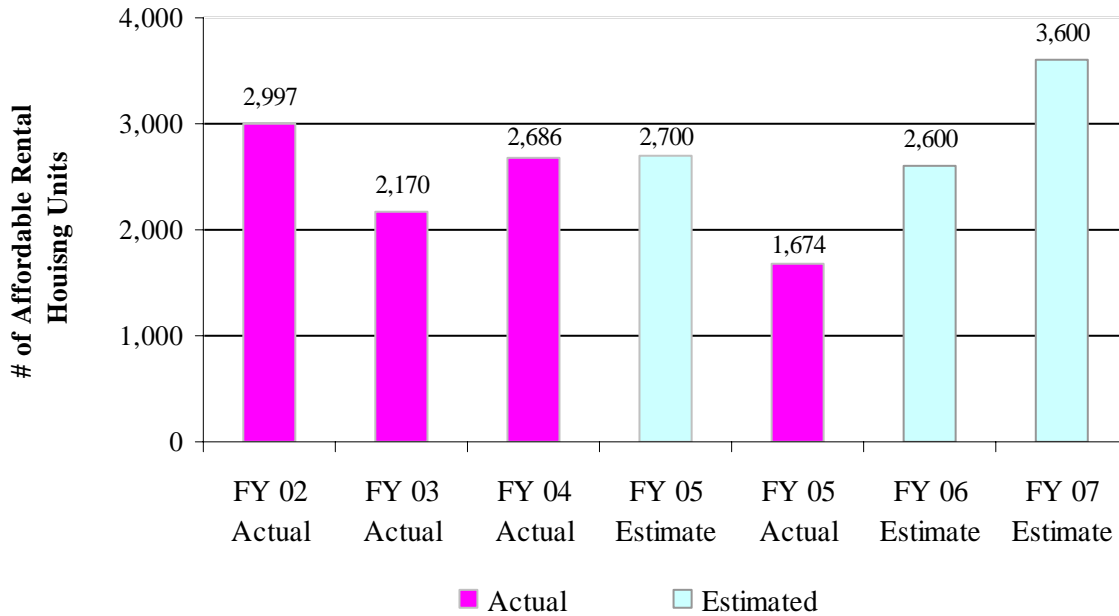
The Department of Housing and Community Development (DHCD) reports that it produces about 2,709 units of rental housing annually. Based on this number, the agency has plans to address up to 40% of the State’s projected shortage of affordable rental housing with its existing resources, as is discussed in Issue 2 of the PAYGO overview. In fact, the agency’s rental housing production has been variable in recent years, as shown in **Exhibit 6**. Note that programs besides the Rental Housing Programs contribute to DHCD’s overall rental housing production.

The exhibit shows projects going to initial closing. The initial closing status means that DHCD and the borrower have closed the loan on the project and construction is about to begin. Final closing is achieved after construction is complete. The number of units in initial closing was uneven from fiscal 2002 to 2005, with an overall 44% decrease during this time.

DHCD reports that several projects did not materialize as expected, and there is an 8-month interval between competitions for State loan funds so it can be difficult to make up for lost projects in a particular year. Furthermore, projects that received funds in the May 2004 round were included in fiscal 2005 projections but did not end up closing until the first half of 2006.

The Department of Legislative Services recommends that DHCD comment on how recent variation in rental housing production will affect its plans to address 40% of the State’s affordable rental housing shortage.

Exhibit 6
Affordable Rental Housing Units Going to Initial Closing
Fiscal 2002 – 2007



Note: Initial closing status means that DHCD and the borrower have closed the loan on the project and construction is about to begin. Final closing is achieved after construction is complete.

Source: Maryland State Budget Books

Recommended Actions

1. Concur with Governor’s allowance.

Fiscal 2007 Proposed Projects

DHCD will have one round of competitive funding in fiscal 2007. Since it takes approximately one year from the application date to get loan commitments, fiscal 2007 funds will be committed to May 2006 projects. The January 2007 round likely will be funded with federal HOME funds.

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
Affordable Rental Housing – State Funds		
Ft. Washington	Prince George's	\$400,000 (a)
Subtotal Encumbered – Affordable Rental Housing		\$400,000
(a) Split with fiscal 2005		
Reserved but Not Yet Encumbered		
Cove Point II	Baltimore	\$1,500,000
Cummins Apartments	Baltimore	1,500,000
Weinberg Village IV	Baltimore	538,445
Collington Commons	Baltimore City	1,500,000
New Shiloh Village Senior Living	Baltimore City	699,903
Park View at Ashland Terrace	Baltimore City	996,779
Serenity Place	Baltimore City	900,000
Village View	Garrett	1,496,143
North Post Commons	Harford	1,500,000
Alden-Berkley Townhomes	Prince George's	750,000
Newton Green	Prince George's	1,038,730
Renaissance Square Artists' Housing	Prince George's	50,000
Grand Total – Affordable Rental Housing		\$12,470,000
HOME – Encumbered		
Maple Heights	Cecil	\$1,457,500
Parkside Village	Dorchester	1,284,206
Subtotal – HOME Encumbered		\$2,741,706
HOME – Reserved but Not Yet Encumbered		
Conifer Village at Cambridge	Dorchester	\$1,285,178
Lodges at Naylor Mill	Wicomico	1,359,000
Westbrook Apartment Homes	Wicomico	1,457,500
Subtotal – HOME Reserved		\$4,101,678
HOME Initiatives - Encumbered		
Sarah's Choice	Carroll	\$100,000
Security Deposit Initiative	Regional	50,000
Self Help Downpayment Initiative	Statewide	100,000
Subtotal – HOME Initiatives Encumbered		\$250,000
Grand Total HOME – Encumbered/Reserved		\$7,093,384

Homeownership Programs (Statewide)

PAYGO GF	\$1,555,000	Recommendation:	Approve
PAYGO SF	\$5,945,000		
PAYGO FF	\$100,000		

Program Description: The Homeownership Programs provide below-market interest rate mortgage loans with minimum down payments to low- and moderate-income first-time homebuyers. Two programs comprise the Homeownership Programs: (1) the Maryland Home Financing Program (MHFP) makes direct loans to very low-income households for home purchases; and (2) the Downpayment and Settlement Expense Loan Program (DSELP) assists limited-income families in meeting settlement closing costs associated with home purchases. The maximum loan amounts are \$5,000 for DSELP and up to the appraised value of the property for the MHFP. The loans may be offered at as low as 0% for a term not to exceed 40 years.

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$3,441,943	\$4,558,696	\$0
REVENUE			
General Funds	0	0	1,555,000
GO Bonds	2,989,000	1,205,000	0
Federal Funds	96,655	196,655	196,655
Transfer from Other Funds	3,800,000	1,466,830	0
Loan Repayments and Interest	7,923,305	5,835,221	6,930,562
Canceled Encumbrances	775,139	734,253	734,253
TOTAL REVENUE	15,584,099	9,437,959	9,416,470
TOTAL AVAILABLE	19,026,042	13,996,655	9,416,470
ENCUMBRANCES			
Loans	12,496,253	11,600,000	7,600,000
State Operating Expenses	1,874,438	2,300,000	1,500,000
Federal Operating Expenses	96,655	96,655	96,655
TOTAL ENCUMBRANCES	14,467,346	13,996,655	9,196,655
Ending Balance	\$4,558,696	\$0	\$219,815

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$1.555	\$1.500	\$0.900	\$0.700	\$0.650
GO Bonds	2.989	1.205	0.000	0.000	0.000	0.000	0.000
PAYGO SF	4.511	6.295	5.945	6.000	6.600	6.800	6.850
PAYGO FF	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Total	\$7.600	\$7.600	\$7.600	\$7.600	\$7.600	\$7.600	\$7.600

Issues

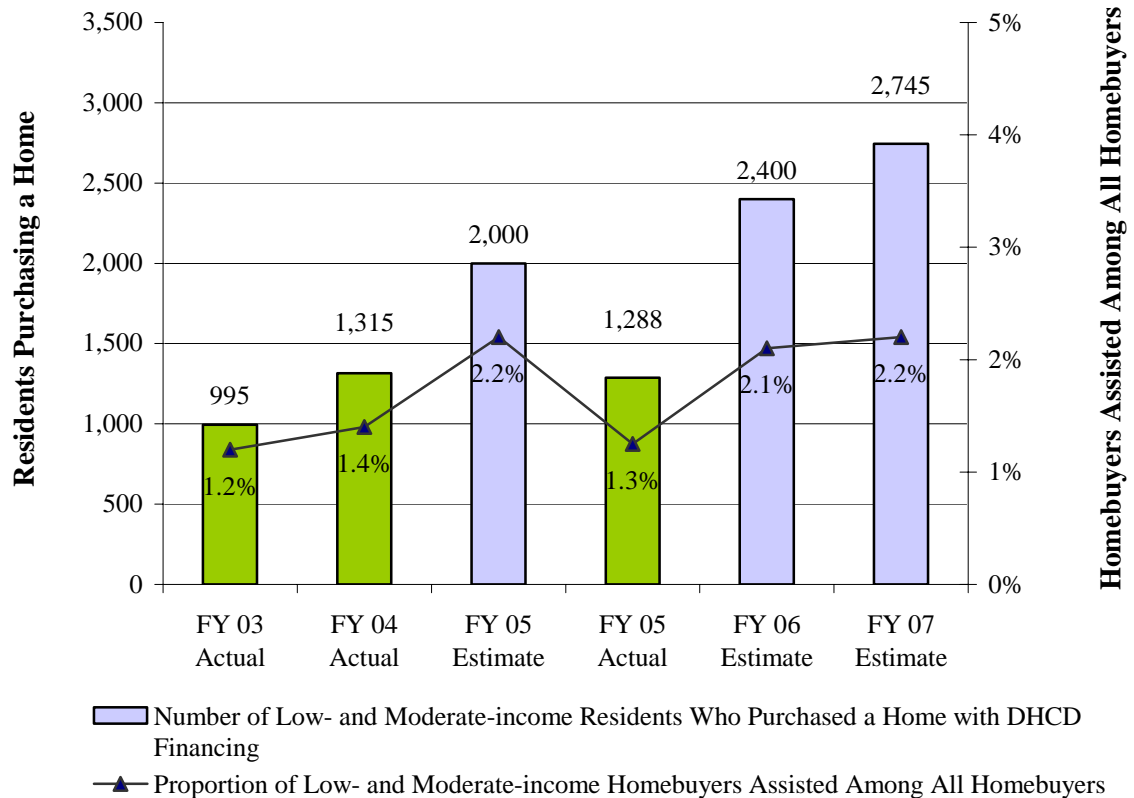
1. Homeownership Progress Struggles Under Market Conditions

The Department of Housing and Community Development (DHCD) reports that it provides assistance to about 1,716 low- and moderate-income homebuying residents annually. Since increased homeownership frees up rental units, the agency expects that enhancements to its homeownership programs will help address up to 40% of the State’s projected shortage of affordable rental housing, as is discussed in Issue 2 of the PAYGO overview.

In fact, the agency has assisted about 1,300 residents annually in fiscal 2004 and 2005, as shown in **Exhibit 7**. The proportion of low- and moderate-income homebuyers receiving DHCD financing among all homebuyers (regardless of financing source) followed a similar pattern. Note that programs besides the Homeownership Programs contribute to DHCD’s overall homeownership efforts.

DHCD reports that the recent dramatic rise in the number of homes sold in Maryland combined with a decline in the inventory of available homes led to steep home price increases. The mortgages that DHCD offers through its Community Development Administration (CDA) program were at a disadvantage in improving homeownership in these market conditions. One challenge was that, until December 2004, CDA mortgages were insured only by governmental agencies, primarily the Federal Housing Administration, and the maximum loan amount allowed remained relatively static. Now, seven private companies also are providing insurance, with more flexible terms, for the mortgages in DHCD’s Maryland Mortgage Program. Furthermore, market interest rates remained low in fiscal 2005, meaning CDA mortgages did not have much of an advantage over conventional mortgages. The agency anticipates that its new mortgage products will improve its homeownership results in fiscal 2006 and beyond.

**Exhibit 7
Low- and Moderate-income Homeownership Assistance
Fiscal 2003 – 2007**



Notes: Data on low- and moderate-income residents include only those receiving financial, not technical, assistance from DHCD.

Data on homebuyers assisted among all homebuyers reflects the number of low- and moderate-income homebuyers receiving DHCD financing divided by the total number of homebuyers regardless of the financing source.

Source: Maryland State Budget Books

The Department of Legislative Services recommends that DHCD comment on how lower than expected assistance to homebuyers in recent years will affect its plans to address 40% of the State’s affordable rental housing shortage.

Recommended Actions

1. Concur with Governor's Allowance.

Fiscal 2007 Proposed Projects

MHFP loans for disabled borrowers are expected to be \$2.5 million in fiscal 2007, and other MHFP activity is expected to be \$2 million. DSELP loan activity is expected to be \$3 million.

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
MHFP		
1 Individual Loan	Anne Arundel	\$92,500
4 Individual Loans	Baltimore	325,743
9 Individual Loans	Baltimore City	419,700
2 Individual Loans	Dorchester	119,057
1 Individual Loan	Prince George's	120,000
Subtotal Encumbered		\$1,077,000
Disabled Borrowers		0
Hurricane Isabel		
3 Individual Loans	Baltimore	38,488
1 Individual Loan	Dorchester	10,160
2 Individual Loans	St. Mary's	25,456
Subtotal Encumbered – Hurricane Isabel*		\$74,104
* Includes \$27,290 in Buydown grants		
Baltimore	REMP Individual Loan	4,200
Subtotal Encumbered – MHFP		\$1,155,304
Downpayment Settlement Expense Loan Program (DSELP)		
Individual Loan(s)	Allegany	77,850
Individual Loan(s)	Anne Arundel	13,050
Individual Loan(s)	Baltimore	99,337

SA00 – Department of Housing and Community Development – PAYGO

<u>Project</u>	<u>Location</u>	<u>Status</u>
Individual Loan(s)	Baltimore City	635,999
1 Individual Loan	Calvert	2,900
1 Individual Loan	Carroll	4,000
1 Individual Loan	Cecil	10,000
Individual Loan(s)	Harford	87,900
1 Individual Loan	Howard	5,000
1 Individual Loan	Montgomery	5,000
Individual Loan(s)	Prince George's	61,464
1 Individual Loan	Talbot	7,500
Individual Loan(s)	Washington	37,400
Individual Loan(s)	Wicomico	14,100
Subtotal Encumbered – DSELP		\$1,061,500
Total Encumbered		\$2,216,804
Reserved but Not Yet Encumbered		
MHFP	Statewide	72,000
Disabled Borrowers	Statewide	469,050
DSELP	Statewide	513,476
Hurricane Isabel		
3 Individual Loans	Baltimore	204,933
1 Individual Loan	Calvert	100,000
5 Individual Loans	Dorchester	360,061
1 Individual Loan	Prince George's	28,386
Subtotal Encumbered – Hurricane Isabel		\$693,380
Total Program Activity		\$3,964,710

Special Loan Programs (Statewide)

PAYGO GF	\$2,187,000	Recommendation: Approve
PAYGO SF	\$5,813,000	
PAYGO FF	\$2,034,000	

Program Description: Programs under the Special Loan Programs include the Maryland Housing Rehabilitation Program (MHRP), Indoor Plumbing Program (IPP), Lead Hazard Reduction Program (LHRP), and Group Home Financing (GHF). 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.

Program Performance Analysis: The number of units assisted by Special Loans programs is shown in **Exhibit 8**. Overall, the number of units assisted increased 13% from fiscal 2002 to 2005. The Lead Hazard Reduction Program increased more than 150%, while the other three programs decreased between 29% and 40%.

The Department of Housing and Community Development expects to allocate fiscal 2007 Special Loans funds among the programs as follows: 40% for MHRP, 33% for GHF, 25% for LHRP, and 2% for IPP. Note that MHRP funds some plumbing projects as part of larger renovations, while IPP is dedicated only to plumbing projects.

Exhibit 8
Units Assisted by Special Loans Programs
Fiscal 2002 – 2007

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Est.</u> <u>FY 2006</u>	<u>Est.</u> <u>FY 2007</u>	<u>%</u> <u>Change</u> <u>FY 02-05</u>
Maryland Housing Rehabilitation Program	110	53	56	74	65	65	-32.73%
Indoor Plumbing Program	5	6	8	3	6	6	-40.00%
Lead Hazard Reduction Program	59	33	184	150	133	130	154.24%
Group Home Financing Program	72	43	57	51	45	45	-29.17%
Total Units Assisted	246	135	305	278	249	246	13.01%

Source: Department of Housing and Community Development

Fund Data**Fund History**

	<i>FY 2005 Actual</i>	<i>FY 2006 Estimated</i>	<i>FY 2007 Estimated</i>
Beginning Balance	\$5,543,400	\$2,794,170	\$593,552
REVENUE			
General Funds	0	0	2,187,000
GO Bonds	0	2,750,000	0
Federal Funds	3,251,718	2,580,000	2,277,400
Transfer from Other Funds	0	-1,903,704	0
Loan Repayments and Interest	7,636,713	6,468,198	6,734,560
Canceled Encumbrances	156,971	84,888	84,888
TOTAL REVENUE	11,045,402	9,979,382	11,283,848
TOTAL AVAILABLE	16,588,802	12,773,552	11,877,400
ENCUMBRANCES			
Loans	12,268,035	10,300,000	10,034,000
State Operating Expenses	1,375,163	1,600,000	1,600,000
Federal Operating Expenses	151,434	280,000	243,400
TOTAL ENCUMBRANCES	13,794,632	12,180,000	11,877,400
Ending Balance	\$2,794,170	\$593,552	\$0

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$2.187	\$1.150	\$0.900	\$0.700	\$1.700
GO Bonds	0.000	2.750	0.000	0.000	0.000	0.000	0.000
PAYGO SF	7.350	5.250	5.813	5.850	6.100	6.300	6.300
PAYGO FF	1.200	2.300	2.034	1.450	1.450	1.450	1.450
Total	\$8.550	\$10.300	\$10.034	\$8.450	\$8.450	\$8.450	\$9.450

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Projects receiving Special Loan Program funds are funded on a first-come, first-served basis. The Department of Housing and Community Development does not provide forward reservations for individual projects, and there is no established rating or ranking criteria for selecting projects.

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
State-funded Projects		
	Anne Arundel	\$525,629
	Allegany	11,795
	Baltimore	16,005
	Baltimore City	208,074
	Caroline	104,896
	Carroll	85,125
	Frederick	38,201
	Howard	171,149
	Prince George's	268,291
	Talbot	43,444
	Wicomico	61,754
	Worcester	66,924
Total – Reserved but Not Yet Encumbered		\$909,828
Hurricane Isabel – State Funds		
	Baltimore	\$39,430
	Cecil	11,166
	Dorchester	7,890
Total		\$58,486
Hurricane Isabel – HOME Program	Calvert	\$84,491
Federal Funds – HOME Program		
	Allegany	78,139
	Caroline	427,583
	Cecil	25,864
	Charles	289,228
	Dorchester	74,088
	Frederick	115,115
	Harford	102,217
	Prince George's	23,342
	Queen Anne's	13,367
	Somerset	114,085
	Talbot	168,960
	Washington	388,454
	Wicomico	73,183
	Worcester	36,755
Total		\$1,930,380

SA00 – Department of Housing and Community Development – PAYGO

<u>Project</u>	<u>Location</u>	<u>Status</u>
Federal Funds – Lead Paint	Anne Arundel	\$30,956
	Allegany	635,684
	Baltimore City	71,674
	Caroline	35,257
	Carroll	24,395
	Frederick	227,734
	Montgomery	206,560
	Talbot	11,950
	Washington	161,117
	Wicomico	161,305
	Worcester	46,598
Total		\$1,613,230

Partnership Rental Housing Program (Statewide)

PAYGO GF **\$6,000,000** **Recommendation: Approve**

Program Description: The Partnership Rental Housing Program provides deferred payment loans to local governments for rental housing construction and rehabilitation. Local governments provide the finished site including infrastructure. Loan repayment is not required as long as the local government or housing authority owns the housing and rents it to families with incomes at 50% of the State’s median income or less. The loan amount generally is limited to \$75,000 per housing unit.

Program Performance Analysis: The Department of Housing and Community Development reports that the Partnership Rental Housing Program produced 135 workforce/affordable housing units in fiscal 2005. The pipeline of future requests currently totals \$4.5 million.

Fund Data**Fund History****Prior Program Activity – All Fund Sources**

	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006*</i>
Encumbrances	\$24,812,065	\$12,411,763	\$6,752,895	\$13,682,961	\$0
Expenditures	\$9,641,970	\$17,811,775	\$10,430,261	\$11,593,448	\$0

*As of June 2005

**Authorization Summary
(\$ in Millions)**

Fiscal Year	<i>Authorization</i>	<i>Funds</i>		<i>Balances</i>	
		<i>Encumbered</i>	<i>Expended</i>	<i>To Be Encumbered</i>	<i>To Be Expended</i>
Prior Years	\$132.558	\$132.539	\$131.561	\$0.019	\$0.997
2002	0.000	0.000	0.000	0.000	0.000
2003	8.000	8.000	5.179	0.000	2.821
2004	10.000	9.905	5.626	0.095	4.374
2005	6.000	6.000	0.007	0.000	5.993
2006	6.000	0.000	0.000	6.000	6.000
Total	\$162.558	\$156.445	\$142.373	\$6.113	\$20.185

(\$ in Millions)

<i>Description</i>	<i>2005 Approp.</i>	<i>2006 Approp.</i>	<i>2007 Request</i>	<i>2008 Estimate</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000
GO Bonds	6.000	6.000	0.000	6.000	6.000	6.000	7.000
Total	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$7.000

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Applications are received continuously, and funding decisions are made within 90 to 120 days on a first-come, first-served basis.

Fiscal 2006 Project Status

<u>Project</u>	<u>Location</u>	<u>Status</u>
Encumbered		\$0
Reserved but Not Yet Encumbered		
Freedom Village/Claremont Homes Phase I	Baltimore City	\$3,000,000
Foxtown Apartments	Queen Anne's	3,400,000
Subtotal		\$6,400,000
Applications Received		0
Grand Total		\$6,400,000

Fiscal Summary
Department of Housing and Community Development

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
06 Historical Preservation - Capital Appropriation	\$ 200,000	\$ 0	\$ 0	\$ 0	0%
07 Heritage Reserve Fund	0	0	0	0	0%
02 Neighborhood Business Development – Capital Appropriation	17,767,797	16,000,000	24,000,000	8,000,000	50.0%
07 Rental Housing Programs - Capital Appropriation	10,077,005	13,455,000	20,842,000	7,387,000	54.9%
08 Homeownership Programs - Capital Appropriation	9,507,253	6,395,000	7,600,000	1,205,000	18.8%
09 Special Loan Programs - Capital Appropriation	14,467,974	7,550,000	10,034,000	2,484,000	32.9%
10 Heritage Reserve Fund	0	0	6,000,000	6,000,000	
Total Expenditures	\$ 52,020,029	\$ 43,400,000	\$ 68,476,000	\$ 25,076,000	57.8%
General Fund	\$ 0	\$ 0	\$ 27,742,000	\$ 27,742,000	N/A
Special Fund	30,713,004	25,150,000	23,300,000	-1,850,000	-7.4%
Federal Fund	21,307,025	18,250,000	17,434,000	-816,000	-4.5%
Total Appropriations	\$ 52,020,029	\$ 43,400,000	\$ 68,476,000	\$ 25,076,000	57.8%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.