Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1330 (Delegate Stewart)
Environment and Transportation

Partnership Rental Housing Program - Mixed-Income Housing Developments (More Homes for Marylanders Act)

This bill alters the Partnership Rental Housing Program (PRHP) within the Department of Housing and Community Development (DHCD) to include "mixed-income housing developments" and prioritization of funding for such developments. The bill also requires the Governor, for fiscal 2024 only, to include $50.0 million in the annual budget for PRHP. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: No effect in fiscal 2023. Pay-as-you-go (PAYGO) general fund expenditures increase by $50.0 million in FY 2024 only due to the mandated appropriation, as discussed below. Special fund revenues and expenditures increase commensurately. Special fund revenues increase in the out years from loan repayments. General fund expenditures increase by $304,000 in FY 2024 and by $263,600 in FY 2025 for administrative costs. **This bill establishes a mandated appropriation for FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	$0	$50,000,000	-	-	-
GF Expenditure	$0	$304,000	$263,600	$0	$0
SF Expenditure	$0	$50,000,000	$0	$0	$0
PAYGO GF exp	$0	$50,000,000	$0	$0	$0
Net Effect	$0	($50,304,000)	($263,600)	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local revenues and expenditures increase due to the expansion of PRHP and additional funding provided for PRHP, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The findings of the General Assembly and the stated purpose in current law relating to PRHP are expanded to generally address the need for housing for *households of middle-income* (in addition to lower income) under the program.

A "mixed-income housing development" means mixed-income rental housing where at least 70% of the units are reserved for households with a gross annual income that does not exceed 75% of the area median income for a household of like size.

The bill also alters one of the qualifications for a household of lower income under PRHP; under the bill, a household qualifies as a household of lower income for initial occupancy if the gross annual income of the household does not exceed 50% of the *area* median income (instead of the *statewide* median income) for a household of like size. "Area" is not defined by the bill or in current law.

A household qualifies as a household of middle income under PRHP:

- for initial occupancy, if the gross annual income of the household (1) is greater than 50% but not more than 75% of the area median income for a household of like size or (2) does not exceed a lower income level that the Secretary of Housing and Community Development establishes for a particular partnership project or for a unit of partnership rental housing to be occupied by one or more individuals with disabilities or special needs; and
- for continuing occupancy, if the gross annual income for the household does not exceed the greater of (1) an income level that the Secretary establishes and (2) an applicable federal requirement.

In administering PRHP, DHCD must prioritize funding for any proposed partnership project that a political subdivision or housing authority agrees to maintain as a mixed-income housing development for at least 75 years. DHCD and the Community Development Administration (CDA) may not condition the award of a loan from the Partnership Rental Housing Fund on issuance of bonds by the department or CDA.

Current Law: PRHP is intended to expand the supply of affordable housing for low-income households. Among other potential program participants, DHCD is authorized to provide financial assistance to political subdivisions or housing authorities to acquire, construct, reconstruct, renovate, or rehabilitate rental housing affordable to households of limited income. The program provides loans for the development of rental housing that will be occupied by households with incomes at or below 50% of the statewide median. Loan amounts are limited to the greater of $75,000 per unit or the actual cost of the project.

Projects financed through the program typically involve a partnership between State and local governments.

The Partnership Rental Housing Fund consists of (1) money appropriated by the State; (2) money made available to PRHP from the sale of general obligation (GO) or other bonds; (3) investment earnings of the fund; and (4) repayment of loans, as specified.

The Governor's proposed fiscal 2023 capital budget includes $12.0 million in PAYGO general funds for the fund. The Governor's fiscal 2023 Capital Improvement Program (CIP) includes $6.0 million in GO bonds annually from fiscal 2024 through 2027 for the fund.

State Fiscal Effect: As the General Assembly cannot mandate appropriations in the capital budget, this analysis assumes that PAYGO general funds are used to meet the bill's funding requirement. Therefore, PAYGO general fund expenditures increase by $50.0 million in fiscal 2024. Special fund revenues to and expenditures from the Partnership Rental Housing Fund increase commensurately. For the purposes of this analysis, it is assumed the full $50.0 million appropriation is spent during fiscal 2024. Special fund revenues to the fund also increase in the out years from additional loan repayments.

It should be noted that the Governor's fiscal 2023 CIP includes $6.0 million in GO bonds for the fund in fiscal 2024. To the extent the GO bonds count toward the mandated appropriation, funding increases by $44.0 million in that year.

The Partnership Rental Housing Fund is not authorized to cover DHCD's administrative expenses. Therefore, general fund expenditures further increase by $304,041 in fiscal 2024, which accounts for a July 1, 2023 start date. DHCD advises that four regular full-time positions and one quarter-time position are needed to implement the bill. However, the Department of Legislative Services advises that the bill's mandated appropriation is for a single year only, so any anticipated increase in the volume of applications to PHRP is expected to be temporary and, thus, may be administered by contractual employees instead. Accordingly, this estimate reflects the cost of hiring three contractual staff (a financial analyst, a lending risk analyst, and a community program administrator) to handle the increased volume of applications to PRHP resulting from the mandated appropriation. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	FY 2024	**FY 2025**
Contractual Positions (New)	3.0	0
Salaries and Fringe Benefits	$281,217	$260,423
Operating Expenses	22,824	3,196
Total DHCD Admin. Expenditures	**$304,041**	**$263,619**

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act. The contractual positions terminate in fiscal 2026, so there are no further expenses in the out years.

Local Fiscal Effect: Local revenues and expenditures increase significantly as local governments are awarded – and then expend – loans for mixed-income housing development projects. In addition, political subdivisions and housing authorities are eligible for loans for low-income partnership projects under the existing PRHP; accordingly, any additional funding provided for those projects as a result of the bill may also benefit local governments. Local expenditures further increase in the out years to repay the loans.

Small Business Effect: Any small businesses involved in the development and construction of low-income partnership projects and mixed-income housing development projects benefit from the significant additional funding provided for such projects under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Montgomery County and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Department of Budget and Management; Department of Housing and Community Development; Department of Legislative Services

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