

SA00
Department of Housing and Community Development – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

<i>Program</i>	<i>2013 Approp.</i>	<i>2014 Approp.</i>	<i>2015 Request</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>	<i>2019 Estimate</i>
Rental Housing Programs	\$47.175	\$47.125	\$51.550	\$23.650	\$18.700	\$18.700	\$21.250
Special Loan Programs	10.100	10.400	9.900	10.050	10.400	10.400	10.400
Community Development Block Grant Program	10.300	10.000	10.000	10.000	10.000	10.000	10.000
Homeownership Programs	9.200	8.500	15.000	13.000	13.000	13.000	13.000
Partnership Rental Housing Program	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Community Legacy Program	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Neighborhood Business Development Program	4.250	2.360	5.250	5.225	5.250	5.250	5.250
Shelter and Transitional Housing Facilities Grant Program	2.000	1.500	1.500	1.500	1.500	1.500	1.500
Strategic Demolition and Smart Growth Impact Fund	5.000	5.000	10.000	0.000	0.000	0.000	0.000

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<i>Program</i>	<i>2013 Approp.</i>	<i>2014 Approp.</i>	<i>2015 Request</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>	<i>2019 Estimate</i>
Baltimore Regional Neighborhoods Demonstration Initiative	0.000	3.000	1.000	0.000	0.000	0.000	0.000
MD BRAC Preservation Loan Fund	4.000	2.250	3.000	3.500	3.500	3.000	2.500
Total	\$104.025	\$102.135	\$119.200	\$78.925	\$74.350	\$73.850	\$75.900

<i>Fund Source</i>	<i>2013 Approp.</i>	<i>2014 Approp.</i>	<i>2015 Request</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>	<i>2019 Estimate</i>
PAYGO GF	\$2.500	\$3.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	26.075	26.775	31.025	25.8750	24.550	24.950	25.350
PAYGO FF	24.200	19.000	16.225	18.750	16.200	16.200	18.750
GO Bonds	51.250	53.710	71.950	34.300	33.600	32.700	31.800
Total	\$104.025	\$102.135	\$119.200	\$78.925	\$74.350	\$73.850	\$75.900

BRAC: Base realignment and closure
 CIP: *Capital Improvement Program*

Summary of Issues

Unanticipated General Obligation Bond Funding for Rental Housing Works: Prior year *Capital Improvement Programs* (CIP) did not indicate general obligation (GO) bond funding for Rental Housing Works (RHW) in fiscal 2015 or beyond. However, the fiscal 2015 budget includes \$24,050,000 in GO bonds and a total of \$51,550,000 across all funding sources. Additionally, \$6 million of the proposed fiscal 2015 funding would be earmarked to assist public housing authorities' projects under U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD). RAD is a new initiative by HUD and is a part of its rental housing preservation strategy. **The Department of Legislative Services (DLS) recommends reducing the fiscal 2015 budget by \$4,050,000 in GO bonds, providing a level amount of GO bond funding relative to fiscal 2014. DHCD should comment on the expected impact of the RAD program and how it may change the State's approach to public housing going forward.**

Neighborhood Business Works Encumbrances Remain Low: In addition to \$1.0 million in new GO bond funding for the new Maryland Fresh Food Financing Program, the fiscal 2015 budget includes an additional \$2.3 million in GO bond funding for Neighborhood Business Works (NBW). The \$4.25 million recommended in the fiscal 2015 budget for NBW, combined with unencumbered prior year funds of \$578,843, is more than the program has been able to encumber since fiscal 2007. **DLS recommends reducing the GO bond funding amount by \$1.0 million for this program. This action would leave \$1.0 million in GO bonds for the Fresh Food Financing program and more than \$3.8 million in available funds for NBW.**

Strategic Demolition and Smart Growth Impact Fund Allowance Doubles: The fiscal 2015 budget includes \$10 million in GO bond funding for the Strategic Demolition and Smart Growth Impact (SDSGI) Fund, double the fiscal 2014 allocation. Baltimore City has recently increased its pace of demolition of vacant homes with its Vacants to Value program and has already demolished more than 800 vacant properties. **Due in part to Baltimore City's increased commitment to demolition, DLS recommends reducing the GO bond funding for this program by \$5 million. This action would leave \$5 million for the SDSGI program, level with fiscal 2014 funding.**

Summary of Recommended PAYGO Actions

1. Neighborhood Business Development – Capital Appropriation
Concur with Governor’s allowance.
2. Rental Housing Programs – Capital Appropriation
Concur with Governor’s allowance.
3. Homeownership Programs – Capital Appropriation
Concur with Governor’s allowance.
4. Special Loan Programs – Capital Appropriation
Concur with Governor’s allowance.
5. Maryland Base Realignment and Closure Preservation Loan Fund – Capital
Concur with Governor’s allowance.

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Community Legacy Program	
Approve funding for the Community Legacy Program.	
2. Neighborhood Business Development Program	\$1,000,000 GO
Reduce the general obligation bond appropriation of the Neighborhood Business Development Program by \$1 million. The program has prior authorized unencumbered funds as well as special fund capital appropriations available to support loan activity in fiscal 2015.	
3. Strategic Demolition and Smart Growth Impact Project Fund	\$5,000,000 GO
Reduce the general obligation bond appropriation for the Strategic Demolition and Smart Growth Impact Project Fund by \$5,000,000.	
4. Baltimore Regional Neighborhoods Demonstration Initiative	
Approve funding for Baltimore Regional Neighborhoods Initiative.	
5. Partnership Rental Housing Program	
Approve funding for the Partnership Rental Housing Program.	
6. Homeownership Programs	\$6,000,000 GO
Reduce the general obligation bond appropriation of the Homeownership Programs by \$6 million. The reduction includes a \$3 million for the Down Payment and Settlement Expense Loan Program to level fund the program and a \$3 million reduction in Net Zero Homes that is intended to be replaced by funds restricted from the Maryland Energy Administration.	
7. Shelter and Transitional Housing Facilities Grant Program	
Approve funding for the Shelter and Transitional Housing Facilities Grant Program.	

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8. Special Loan Programs

Approve funding for Special Loan programs.

9. Rental Housing Programs

\$4,050,000 GO

Reduce the general obligation bond appropriation for Rental Housing Works by \$4,050,000.

Total Reductions

\$16,050,000

Program Description

The Department of Housing and Community Development (DHCD) has two programmatic units: the Division of Neighborhood Revitalization and the Division of Development Finance. The Division of Neighborhood Revitalization provides technical and financial assistance to stabilize and revitalize existing neighborhoods. The programs include:

- **Community Development Block Grant Program:** This program provides competitive federally funded grants to local governments in non-entitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services. Non-entitlement areas are mainly rural areas of the State. Entitlement areas receive a direct allocation from HUD and are not eligible for the State program.
- **Community Legacy Program:** This program provides financing to assist with the revitalization of neighborhoods that are at risk of physical, economic, or social deterioration. These neighborhoods are responsible for implementing a revitalization strategy that will reposition the community for new private investment. Funds may be used for capital improvements such as streetscape and façade improvements, recreational amenities, improvement of community gathering places, and other improvements to improve the desirability of the community.
- **Neighborhood Business Development Program:** The program, also known as NBW, provides grants and loans for community-based economic development activities in revitalization areas designated by local governments. The program provides gap financing to small businesses that are unable to finance 100% of a project's total costs through a traditional lender.
- **Strategic Demolition and Smart Growth Impact Project Fund (Smart Growth Impact Fund):** This fund provides grants to local governments, nonprofit organizations, and private entities for redevelopment and revitalization projects in sustainable communities, Base Realignment and Closure (BRAC) Revitalization and Incentive Zones, transit-oriented developments (TOD), and areas recommended by PlanMaryland for revitalization and growth.
- **Baltimore Regional Neighborhoods Demonstration Initiative:** This program provides grants to fund revitalization strategies in State-designated sustainable community areas in Baltimore City and Anne Arundel and Baltimore counties. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation and new infill development. Fiscal 2014 was the first year of funding for Baltimore Regional Neighborhoods Initiative (BRNI), with a \$3 million allocation.

The Division of Development Finance provides programs to promote rental housing or homeownership opportunities for the elderly, the disabled, or people with limited income. These programs include:

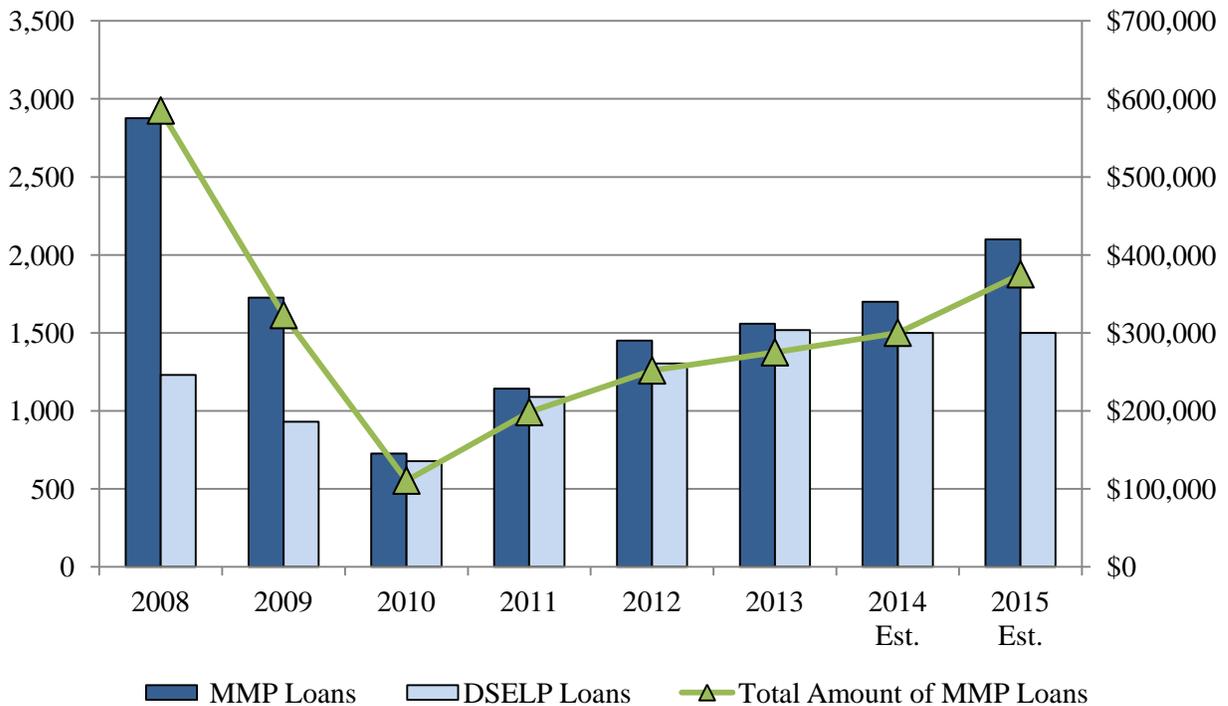
- **Rental Housing Programs:** These programs rehabilitate and create new affordable housing for low- to moderate-income individuals, families, and elderly residents, or special needs populations. Low-interest loans or deferred-payment loans are provided to housing developers for the financing of affordable housing developments.
- **Special Loan Programs:** These programs provide loans or grants for abatement of lead hazards; rehabilitation or installation of indoor plumbing; rehabilitation to create accessory, shared and sheltered housing facilities; rehabilitation to eliminate health, safety, and maintenance deficiencies in residential properties; and acquisition, construction, and modifications of group homes for low-income, elderly, handicapped, disabled, or others with special housing needs.
- **Homeownership Programs:** These programs provide mortgage loans with minimum down payments to low- and moderate-income families. Programs include the Down Payment and Settlement Expense Loan Program (DSELP), which provides funds for down payment and settlement expenses, as well as the Maryland Home Financing Program, which makes direct loans to households to purchase homes.
- **Partnership Rental Housing Program:** This program provides deferred payment loans or grants to local governments or housing authorities to construct or rehabilitate rental housing for low-income families. In 2007, the program was expanded to enable private and nonprofit borrowers to access financing for the creation of housing for persons with disabilities.
- **Shelter and Transitional Housing Facilities Grant Program:** This program provides grants to local governments and nonprofit organizations to develop emergency shelters and transitional housing for homeless individuals and families.
- **Maryland BRAC Preservation Loan Fund:** This fund provides loans and other financial assistance to public and private developers to preserve affordable multi-family rental housing in jurisdictions affected by the federal BRAC process.

Performance Measures and Outputs

Homeownership Assistance

One of DHCD’s main objectives is to help low- and moderate-income residents purchase homes. Two key portions of DHCD efforts toward these objectives include the Maryland Mortgage Program (MMP) and the DSELP. **Exhibit 1** shows the large, rapid decline in DSELP and MMP loans provided from fiscal 2008 through 2010, followed by a steady increase in program usage through fiscal 2013 that is projected to continue through fiscal 2015. The agency attributes this trend to both the improving economy and the continued demand for affordable mortgage financing. The number of MMP loans increased by 7.5%, from 1,450 in fiscal 2012 to 1,559 in fiscal 2013. And continuing with what has been the norm since fiscal 2010, the DSELP program was used in conjunction with 97.4% of MMP loans.

Exhibit 1
Homeownership Assistance
 Fiscal 2008-2015 Est.
 (\$ in Thousands)



DSELP: Down Payment and Settlement Expense Loan Program
 MMP: Maryland Mortgage Program

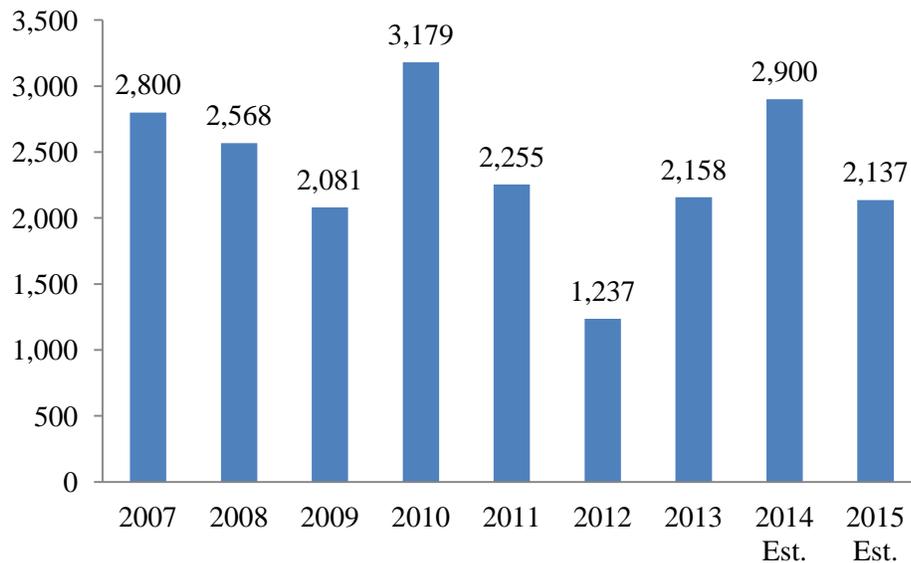
Source: Governor’s Budget Books, Fiscal 2009-2015

Rental Assistance

Another DHCD goal is to expand affordable rental housing in Maryland in response to an increasing shortage of affordable rental units. There is a shortage of approximately 190,700 affordable rental housing units in the State for families earning less than 50% of the area median income, according to the most recent estimates from HUD. DHCD has several programs geared toward rental housing, including providing rent subsidies to families (in partnership with local government and private sector organizations) and providing financing to housing authorities and other developers to construct new or preserve existing rental housing.

DHCD tracks the number of new affordable rental housing units produced through financial support. The number of units produced is based on the projects that go to initial closing, meaning 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. As shown in **Exhibit 2**, in fiscal 2010, production increased by more than 50.0% as a result of two federal American Recovery and Reinvestment Act of 2009 (ARRA) programs that fueled production that year. Production decreased in fiscal 2011 and 2012 because the ARRA funds were exhausted. In fiscal 2013, production increased by 74.5%, with another large increase in production expected in fiscal 2014. The increase is due to additional resources in the RHW program and increased use of the Multifamily Bond Program.

Exhibit 2
Rental Assistance
Fiscal 2007-2015 Est.



Source: Department of Housing and Community Development

One of the reasons for the increase in demand for funding is the increase in real estate development costs. **Exhibit 3** shows the per unit cost for DHCD-assisted projects has rapidly increased in the past decade

Exhibit 3
Increasing Cost of Rental Housing
Fiscal 2001-2013

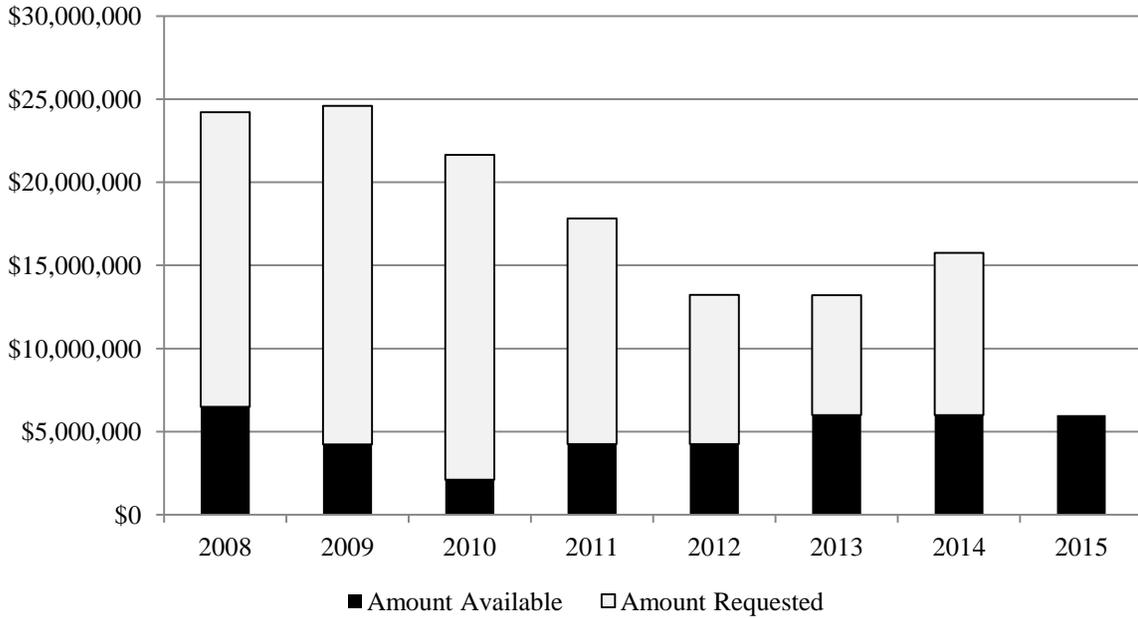
<u>Fiscal Year</u>	<u>No. Projects</u>	<u>Total Units Produced</u>	<u>Total Project Cost</u>	<u>Per Unit Cost</u>	<u>Per Unit Cost % Increase Over 2001</u>
2001	23	2,034	\$157,281,661	\$77,326	
2002	35	3,832	364,430,133	95,102	22.99%
2003	36	3,120	310,105,617	99,393	28.54%
2004	38	3,739	435,206,540	116,397	50.53%
2005	20	1,819	213,350,704	117,290	51.68%
2006	25	2,940	365,176,734	124,210	60.63%
2007	33	2,800	385,711,594	137,754	78.15%
2008	32	2,568	350,608,930	136,530	76.56%
2009	19	2,081	253,080,788	121,615	57.28%
2010	38	3,179	536,799,857	168,858	118.37%
2011	24	2,255	364,825,098	161,785	109.22%
2012	17	1,237	215,782,141	174,440	125.59%
2013	23	2,158	400,633,847	185,651	140.09%

Source: Department of Housing and Community Development

Neighborhood Revitalization

DHCD’s Division of Neighborhood Revitalization provides local communities, nonprofits, community development organizations, and small businesses with resources for investment to stabilize and revitalize neighborhoods. The Community Legacy Program is one such effort. It provides funding to local governments and community development organizations to partially fund projects such as mixed use developments, streetscape and façade improvements, business retention and expansion, and increasing homeownership and rehabilitation. As shown in **Exhibit 4**, demand for Community Legacy funding typically exceeds available resources. Demand, as measured by the amounts requested in applications, increased to an estimated \$15.7 million in fiscal 2014, up from about \$13.2 million in both fiscal 2012 and 2013. With \$6.0 million available in 2014, this meant that DHCD was able to award 38.1% of the total amount requested, lower than the 45.4% awarded in fiscal 2013, the highest level since at least fiscal 2008.

Exhibit 4
Demand and Available Resources for the Community Legacy Program
Fiscal 2008-2015



Note: Demand for funding is based on the amount of funding requested through the competitive grant process. This data is not yet available for fiscal 2015. A reversion in fiscal 2009 required the department to roll encumbrances forward into fiscal 2010, allowing only \$2.1 million for new projects.

Source: Department of Housing and Community Development

Budget Overview

DHCD's capital budget includes 11 programs. Across all programs, the fiscal 2015 capital budget increases by 16.3% to \$119.2 million, including nearly \$72.0 million in GO bonds, up 34.0% over the fiscal 2014 appropriation. The following provides a discussion of programs in which significant fiscal or programmatic changes are taking place.

Rental Housing Programs

While the increase in funding for rental housing programs is a modest 8.6% over the fiscal 2014 allocation of \$47.5 million, last year's CIP only anticipated \$26.125 million in funding for fiscal 2015, and zero GO bond funding. The reason for the deviation from the CIP is a combination of demand for the program funding exceeding available funds, and a new HUD program called RAD, which is expected to spur further demand for DHCD's RHW program funds, with \$6.0 million earmarked for RAD in the fiscal 2015 budget. RAD and the rental housing programs are discussed further elsewhere in this analysis.

Homeownership Programs

DHCD's homeownership programs are increasing by \$6.5 million to \$15.0 million in fiscal 2015, with \$14.0 million coming in the form of GO bonds. The increase includes \$3.0 million in new funding for the Net Zero Homes program. HB 553 of 2014 would create the Net Zero (called the Energy-Efficient Homes Construction Loan Program in the bill) program to provide short-term loans to construct low-energy homes and net-zero homes in sustainable communities. The program would be operated as a revolving loan fund, for which it is the understanding of DLS that these GO bond funds serve as initial capitalization, with an additional \$1.0 million in GO bond funding planned for fiscal 2016 through 2019.

Currently, with funding from the Strategic Energy Investment Fund (SEIF) that is not designated to specific programs under the Customer Investment Fund, the Maryland Energy Administration (MEA) intends to fund four programs totaling \$3.25 million under its general energy efficiency program. The Net Zero program would be an eligible use of the SEIF energy efficiency allocation. **DLS recommends deleting the GO bond funds in the capital budget for this purpose and instead restricting funds in MEA's general energy efficiency program to be transferred to DHCD to be used for this program.**

Additionally, there is a \$3 million increase in DSELP funding, bringing the total for that program to \$10 million. **DLS recommends level funding this program, and reducing the GO bond funding by \$3 million.**

Neighborhood BusinessWorks

Funding for the NBW program more than doubles to \$5.25 million in the fiscal 2015 capital budget, up from \$2.36 million in fiscal 2014. Included in the fiscal 2015 budget is \$1.0 million in GO bonds for the Fresh Food Financing program, a new initiative designed to provide grants and loans to develop, renovate, or expand grocery stores and other businesses to provide healthy food in underserved communities. HB 451 of 2014 provides for the expansion of the purpose of NBW to include helping to create small businesses and other food-related enterprises that provide healthy foods to residents in “food deserts.” The Fresh Food Financing program would provide assistance to projects in food deserts, which would be defined by regulations adopted by DHCD. The impetus for the new program is a recommendation by the Maryland Fresh Food Retail Task Force. The task force identified Pennsylvania’s Fresh Food Financing Initiative, created in 2004, as one example of a similar successful financing program and also noted that California, Illinois, New Jersey, New Orleans and New York have similar programs.

Strategic Demolition and Smart Growth Impact Fund

The SDSGI Fund was not included in the outyears of the CIP since its inception in the fiscal 2013 budget. The original fiscal 2013 allocation was \$2.5 million, but a deficiency appropriation increased that amount to \$5 million. The fiscal 2014 allocation was also for \$5 million. Funds are included in the fiscal 2015 budget at a level double again the fiscal 2014 allocation. The \$10 million included in the fiscal 2015 budget would be used for funding to assist in the demolition, land assembly, housing development or redevelopment and revitalization projects in areas recommended by PlanMaryland for revitalization and growth. Funding is awarded on a competitive basis. All prior funds have been awarded.

Baltimore Regional Neighborhoods Initiative

BRNI was launched in fiscal 2014, using \$3 million in general funds for comprehensive revitalization strategies of sustainable community areas in Baltimore City and Anne Arundel and Baltimore counties. Grant recipients include residential and commercial projects with activities including property acquisition, redevelopment, rehabilitation, and new infill development.

DHCD allocated \$3 million in fiscal 2014 funding to four organizations, as shown in **Exhibit 5**. The department also allocated an additional \$750,000 in operating funds. BRNI is intended to demonstrate how strategic investment in local housing and businesses can lead to healthy, sustainable communities with a growing tax base and enhanced quality of life. The program targets the Maryland Department of Planning’s designated “Sustainable Communities” located in Baltimore City or the Inner Baltimore Beltway of Anne Arundel and Baltimore counties. The strategy is for the modest investment and coordinated strategy to have a neighborhood revitalization impact.

Exhibit 5
Baltimore Region Neighborhoods Initiative Projects and Funding

Healthy Neighborhoods, Inc.	\$250,000
Callow Avenue	250,000
Dundalk Renaissance Corporation	\$912,000
Renovated Homes Market Boost	467,000
Home Renovation Loans	250,000
Marketing Dundalk Campaign	155,000
Sustainable Dundalk Energy Retrofit Grant Program	40,000
Southeast Community Development Corporation	\$1,103,000
Eager Street Vacants to Values Initiative	253,000
Northeast Market Renovation Phase 2	100,000
CARE Housing Initiative	400,000
East of Hopkins Community Greening Program	100,000
East of Hopkins Community Engagement	60,000
Banner Neighborhoods Community Center	150,000
Library Square Greening and Revitalization Project	40,000
Central Baltimore Partnership	\$1,485,000
Miller’s Square II	50,000
Remington Row	100,000
Homewood Community Partners Initiative Neighborhood Improvement Fund	100,000
10 E. North Avenue Centre Theatre	100,000
Maryland Film Festival Parkway	125,000
Central Baltimore Partnership General Operating Support	250,000
1400 Greenmount Avenue	100,000
Home Improvement Matching Grant Program	50,000
East 22nd Street Build-Out Project	100,000
Barclay Old Goucher Phase 2 Homeownership	300,000
Barclay Street Park and City Arts II	100,000
Greenmount West Homes	110,000
Total	\$3,750,000

Source: Department of Housing and Community Development

BRNI is a recommendation of the House Regional Revitalization Workgroup, was created in the 2013 session, and was labeled a pilot program at that time. The four nonprofit community development coalitions receiving funding in fiscal 2014 are Healthy Neighborhoods (Baltimore City), Dundalk Renaissance Corporation (Baltimore County), Southeast Community Development Corporation (Baltimore City), and the Central Baltimore Partnership (Baltimore City). Types of projects for which funds were requested included:

- acquisition, stabilization and predevelopment of 12 vacant houses;
- renovation of a vacant building into a community center;
- restoration of a deteriorated building to turn it into a mixed-use development containing a restaurant, a community theatre, and 3,000 square feet of office space; and
- establishment of a competitive grant fund that stimulates, leverages, and serves as a catalyst for near term, high-impact, high visibility capital improvements that will help fulfill community plans and advance the goals of the neighborhood strategy.

The fiscal 2015 budget includes \$1.0 million in GO bond funding for BRNI, a \$2.0 million decrease. An additional \$1.5 million in funding – separate from the DHCD budget – is included as a miscellaneous project for the Central Baltimore Partnership. The department does not have specific projects lined up for fiscal 2015 funding at the time of this writing. The CIP does not include any funding beyond fiscal 2015. **DHCD should comment on the impact of the fiscal 2014 funding of BRNI, its plans for fiscal 2015 funds, and its plans for the program in the outyears of the CIP.**

MD-BRAC Preservation Loan Fund

Funding in the fiscal 2015 for the Maryland Base Realignment and Closure (MD-BRAC) Preservation Loan Fund increases by \$750,000 in special funds over the fiscal 2014 allocation to \$3.0 million. Including prior year unencumbered funds, and less \$2.25 million of loans the department plans to make in fiscal 2014, the MD-BRAC Preservation Loan Fund would have approximately \$5.9 million available in fiscal 2015. Since its inception, the MD-BRAC Preservation Loan Fund has made two loans for a total of \$2.55 million, and expects a \$1.5 million loan to close near the end of fiscal 2014. The bulk of the MD-BRAC Preservation Loan Fund funding was a MacArthur Foundation loan of \$4.0 million, which was part of the capitalization of the program, and is scheduled to be paid back in fiscal 2018-2020. The department pays quarterly interest of 2% to the MacArthur Foundation. **DHCD should comment on the low interest in the program and the potential for any changes that could lead to increased demand for the program.**

Shelter and Transitional Housing

Funding in fiscal 2015 for the Shelter and Transitional Housing Facilities Grant Program is flat compared to fiscal 2014. A recent change in the regulations allows funds to be used for other facilities for homeless households with no length-of-stay requirement, in addition to emergency shelter and transitional housing facilities that provide housing for up to 24 months. All facilities must include supportive services for homeless households. The change allows for “Housing First” projects, safe havens, and other types of housing for homeless households so that a household can more easily move toward self-sufficiency. The department estimates there are 9,600 homeless people in Maryland.

The fiscal 2014 allocation combined with the fiscal 2015 budgeted funding in GO bonds would be used for three projects that are in the pipeline: A Step Forward Women and Children (\$750,000), Family Recovery Program (\$750,000), and Eastern Avenue Family Resource Center (\$1,500,000).

Issues

1. Unanticipated GO Bond Funding for Rental Housing Works

RHW is designed to support jobs and provide much-needed affordable rental housing for Maryland residents, including seniors and individuals with special needs. As noted earlier, the previous CIP did not anticipate GO bond funding being used for this program in fiscal 2015 and beyond. However, the fiscal 2015 budget includes \$24,050,000 in GO bonds and a total of \$51,550,000 across all funding sources.

In fiscal 2013 and 2014, RHW was allotted \$37.5 million in GO bond appropriations. The department has completed several projects with fiscal 2013 and 2014 funds, and has several more in the pipeline beyond the program’s available resources, as shown in **Exhibit 6** and **Exhibit 7**. The requests exceed the current availability of funding would likely be funded with the fiscal 2015 budget. **DLS recommends reducing the fiscal 2015 budget by \$4,050,000 in GO bonds, providing a level amount of GO bond funding relative to fiscal 2014.**

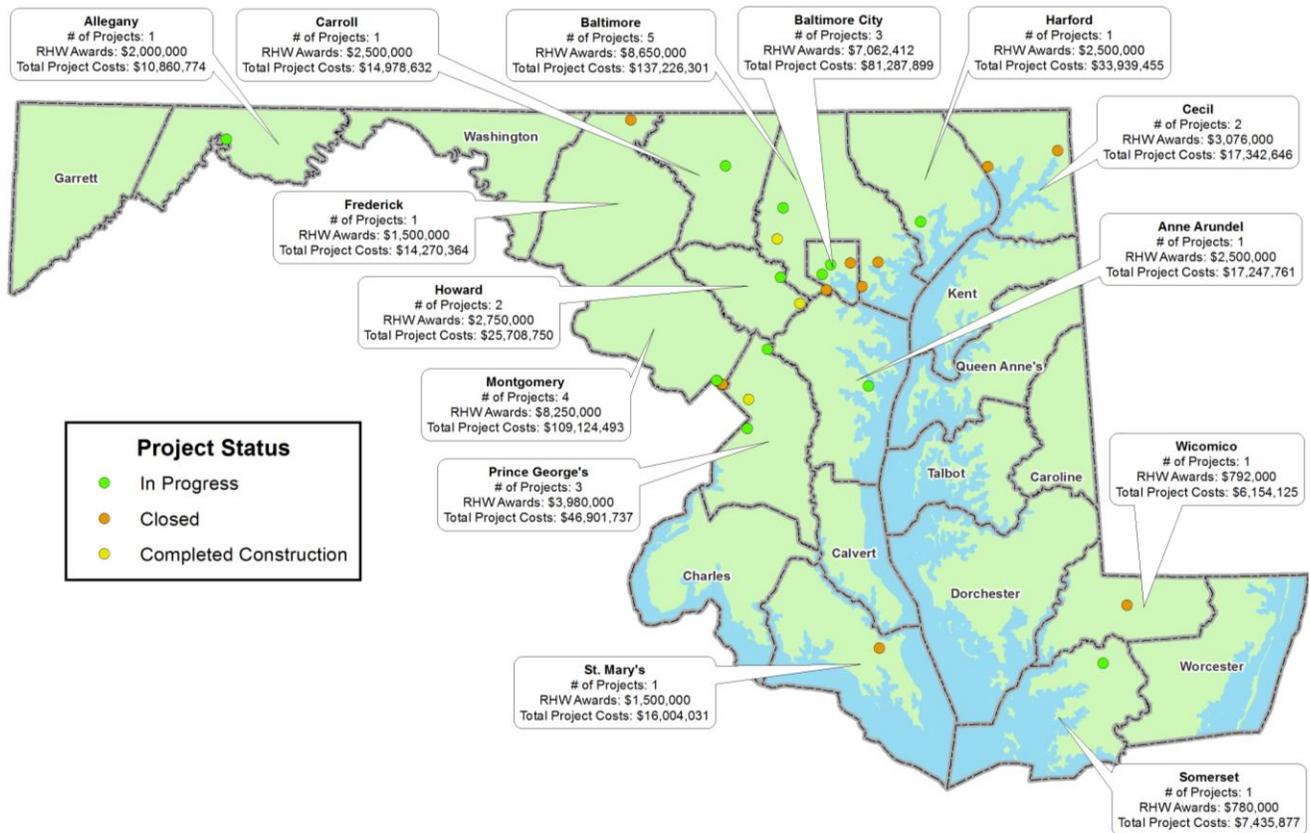
**Exhibit 6
Rental Housing Works Projects Completed and Project Pipeline**

<u>Project</u>	<u>County</u>	<u>RHW Applications Received</u>	<u>Total Units</u>
<i>Construction Completed</i>			
Pikeswood Park	Baltimore	\$1,500,000	140
Park View at Colonial Landing	Howard	250,000	100
Park View at Bladensburg	Prince George's	250,000	101
<i>Projects Closed</i>			
Parkview Towers	Montgomery	\$1,500,000	125
The Greens at English Consul	Baltimore	2,000,000	90
The Greens at Logan Field	Baltimore	2,000,000	102
Seton Village	Frederick	1,500,000	43
Glen Manor Apartments	Baltimore	1,650,000	252
Residences at Thayer	Montgomery	250,000	52
Leonard Apartments	Wicomico	792,000	66
Spring Valley Apartments	St. Mary's	1,500,000	148
Orchard Ridge Rental Phase IV	Baltimore City	2,500,000	64
Richmond Hill Point	Cecil	576,000	48
Essex House	Montgomery	2,500,000	135
North Street Apartments	Cecil	2,500,000	53
<i>Projects in Process</i>			
Locust House Apartments	Carroll	\$2,500,000	98
Benet House Apartments	Baltimore City	2,062,412	101
Old Towne Manor	Allegany	2,000,000	138
Memorial Apartments	Baltimore City	2,500,000	266
Samuel Chase Apartments	Somerset	7,800,000	60
Timothy House & Gardens	Anne Arundel	2,500,000	88
Timbercroft Apartments	Baltimore	1,500,000	284
Park View at Laurel II	Prince George's	1,230,000	105
Silver Spring Library Residences	Montgomery	4,000,000	149
Hilltop Phase II	Howard	2,500,000	75
Conifer Village at Oakcrest	Prince George's	2,500,000	120
Victoria Apartments	Worcester	2,500,000	64
Windsor Valley Apartments I & II	Harford	2,500,000	291
Total		\$50,340,412	3,358

RHW: Rental Housing Works

Source: Department of Housing and Community Development

Exhibit 7 Rental Housing Works Inception to January 30, 2014



Source: Department of Housing and Community Development

Additionally, \$6 million of the proposed fiscal 2015 funding would be earmarked to assist public housing authorities' projects under HUD's RAD. RAD is a new initiative by HUD and is a part of its rental housing preservation strategy. The program allows public housing and moderate rehabilitation properties to convert to long-term Section 8 rental assistance contracts. The goal of the RAD program is to transition public housing to privately owned and privately financed developments with a federal project-based subsidy. The program is designed to facilitate redevelopment of existing public housing using federal low-income housing tax credits, federal tax-exempt bond revenues, and other private and public financing, with HUD then providing long-term federal project-based rental assistance for the units. Allowing public housing to take advantage of existing mixed financing availabilities will ensure the capital needs of the properties are addressed and also ensure their long-term viability. HUD has capped the first phase of the project to 60,000 units nationwide. There are already 20 projects in the pipeline for Maryland, as shown in **Exhibit 8**.

Exhibit 8
Pipeline for Rental Assistance Demonstration Projects

<u>Housing Authority</u>	<u>Projects</u>	<u>Units</u>
Housing Authority of Baltimore City	11	2,233
Housing Opportunity Commission of Montgomery County	5	517
Housing Authority Of Cambridge	1	190
Wicomico County Housing Authority	1	100
Housing Authority of St. Mary’s County	1	32
Housing Authority of Calvert County	1	72
Total	20	3,144

Source: U.S. Department of Housing and Urban Development

DHCD should comment on the expected impact of the RAD program and how it will change the State’s approach to public housing going forward.

2. Neighborhood Business Works Encumbrances Remain Low

In addition to \$1.0 million in new GO bond funding for the new Maryland Fresh Food Financing Program, the fiscal 2015 budget includes an additional \$2.3 million in GO bond funding for NBW. Special funds make up the remaining \$1.95 million of the fiscal 2015 budget.

DHCD would have \$4,828,843 in available funds for NBW under the fiscal 2015 budget, comprised of \$4.25 million in GO bonds and \$578,843 in prior year unencumbered funds. The amount is more than the department has encumbered at any point since fiscal 2007, with the average encumbrance level for the five-year period from fiscal 2009-2013 at \$3.2 million. **Exhibit 9** shows the low number of loans administered through the program, the amount of the loans closed, and the amount of private funds contributed to the total project costs. In addition to the loans, grants are also provided through this program. The private funds leveraged by State funds through this program are at much lower levels than in many of DHCD’s other grant and loan programs. **DLS recommends reducing the GO bond funding amount by \$1.0 million for this program. This action would leave \$1.0 million in GO bonds for the Fresh Food Financing Program and \$3.8 million in available funds for NBW.**

Exhibit 9
Demand and Available Resources for the Neighborhood BusinessWorks
Fiscal 2009-2014 Est.

<u>Year</u>	<u>Loan Applications Received</u>	<u>Loans Closed</u>	<u>% Loans Closed</u>	<u>Amount of Loans Closed</u>	<u>Total Project Costs</u>	<u>Leveraged Funds for Awards</u>
2009	21	13	62%	\$3,265,738	\$26,466,856	\$23,201,118
2010	23	9	39%	2,150,209	13,945,030	11,794,821
2011	38	17	45%	3,072,176	33,121,431	30,049,255
2012	32	6	19%	985,222	1,733,845	748,623
2013	35	11	31%	2,892,650	24,481,106	21,588,456
2014 Est.	19	12	63%	2,360,000	21,020,072	17,331,572
Total	149	56	38%	\$ 12,365,995	\$99,748,268	\$87,382,273

Source: Department of Housing and Community Development

3. Strategic Demolition and Smart Growth Impact Fund Allowance Doubles

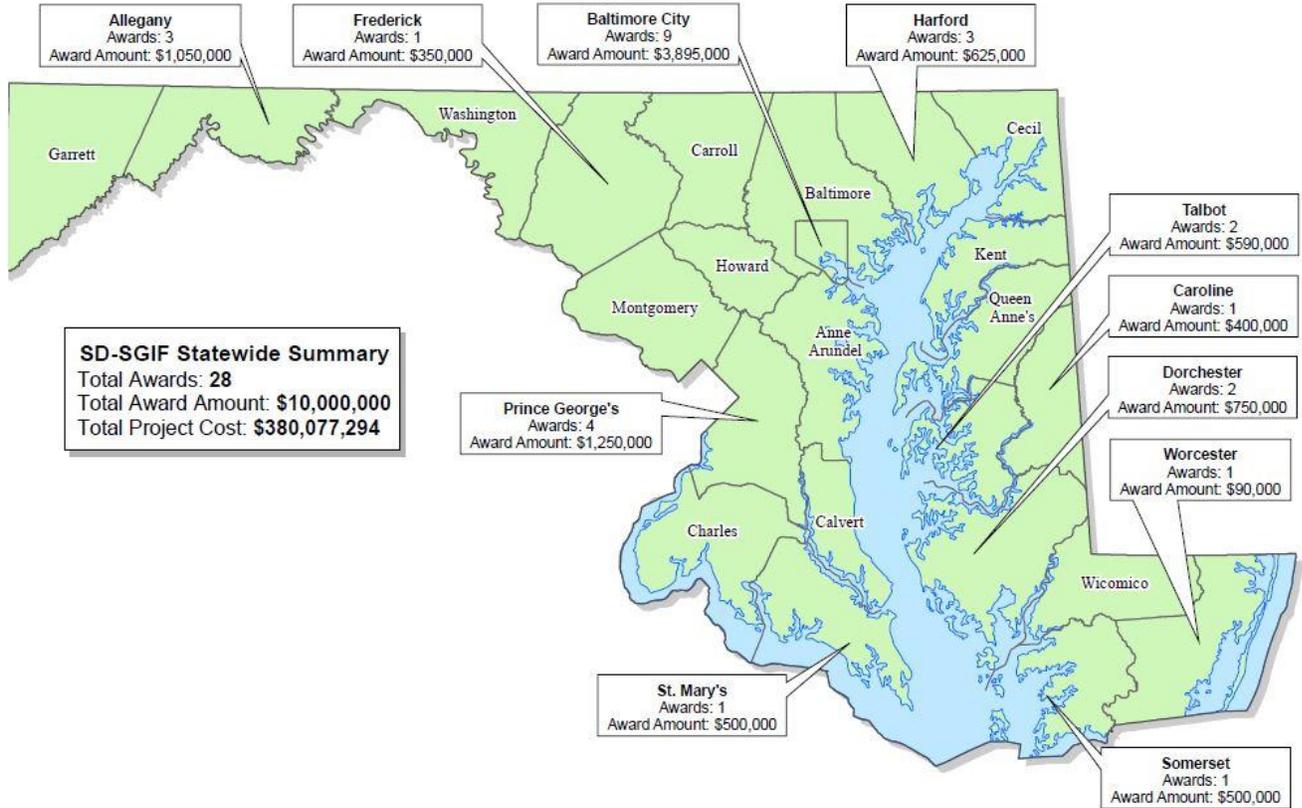
The SDSGI Fund provides grants and loans to counties and municipalities in conjunction with nonprofit organizations and private entities to pay capital costs for redevelopment and to fund critical activities such as demolition and land assembly in conjunction with housing and revitalization projects. The fiscal 2015 budget includes \$10.0 million, double the fiscal 2014 allocation. DHCD received \$13.4 million in requests for 30 projects in fiscal 2013, and \$13.5 million in funding requests for 30 projects in fiscal 2014, as shown in **Exhibit 10** and **Exhibit 11**.

Exhibit 10
Use of the Strategic Demolition and Smart Growth Impact Fund by County

<u>Location</u>	<u>Amount Awarded</u>
Baltimore City	\$3,895,000
Prince George's	1,250,000
Allegany	1,050,000
Dorchester	750,000
Harford	625,000
Talbot	590,000
Somerset	500,000
St. Mary's	500,000
Caroline	400,000
Frederick	350,000
Worcester	90,000
Total	\$10,000,000

Source: Department of Housing and Community Development

Exhibit 11
Strategic Demolition and Smart Growth Impact Fund
By Jurisdiction
Calendar 2013 and 2014



pub. date: 01/29/2014

SD-SGIF: Strategic Demolition and Smart Growth Impact Fund

Source: Department of Housing and Community Development

Baltimore City has recently increased its pace of demolition of vacant homes with its Vacants to Value program, and has already demolished more than 800 vacant properties. While the goals of the Vacants to Value program are not identical to those of SDSGI, there are many similarities. As shown in Exhibit 9, approximately 39% of the \$10 million in SDSGI funding has gone to Baltimore City projects. **Due in part to Baltimore City’s increased commitment to demolition in the city, DLS recommends reducing the GO bond funding for this program by \$5 million. This action would leave \$5 million for the SDSGI program, level with fiscal 2014 funding.**

Consolidated Administrative Expenses – All Programs

	FY 2013 Actual	FY 2014 Estimated	FY 2015 Estimated
Sources:			
Special Funds			
Rental Housing	\$2,790,001	\$2,790,000	\$2,790,000
Special Loan	1,322,000	1,332,000	1,332,000
Community Development Block Grant		0	0
Homeownership	1,529,893	1,530,000	1,530,000
Partnership Rental Housing	135,000	70,000	70,000
Community Legacy	415,079	150,000	100,000
Neighborhood BusinessWorks	850,000	850,000	850,000
Shelter and Transitional Housing Facilities Grant	0	0	0
Strategic Demolition and Smart Growth Impact Project	0	0	0
Energy Efficiency Conservation Block Grant	0	0	0
Energy Innovation Fund	0	0	0
Subtotal – Special Funds	\$7,041,973	\$6,722,000	\$6,672,000
General Funds	0	0	0
Federal Funds	2,010,752	2,483,155	2,478,106
Nonbudgeted Funds	0	0	0
Total Funds	\$9,052,725	\$9,205,155	\$9,150,106
Uses:			
Direct Expenses	\$5,738,855	\$5,906,155	\$5,851,106
Indirect Expenses (legal, marketing, asset management. etc)	3,313,870	3,299,000	3,299,000
Total Direct and Indirect Expenses	\$9,052,725	\$9,205,155	\$9,150,106

PAYGO Recommended Actions

1. Concur with Governor's allowance for the Neighborhood Business Development.
2. Concur with Governor's allowance for the Rental Housing Programs.
3. Concur with Governor's allowance for the Homeownership Programs.
4. Concur with Governor's allowance for the Special Loan Programs.
5. Concur with Governor's allowance for the Maryland Base Realignment and Closure Preservation Loan Fund.

GO Bond Recommended Actions

1. Approve funding for the Community Legacy Program.
2. Reduce the general obligation bond appropriation of the Neighborhood Business Development Program by \$2.3 million. The program has prior authorized unencumbered funds as well as special fund capital appropriations available to support loan activity in fiscal 2015.

SA24B Neighborhood Business Development Program.....

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
3,300,000	-1,000,000	2,300,000

Explanation: The program has prior authorized unencumbered funds.

3. Reduce the general obligation bond appropriation for the Strategic Demolition and Smart Growth Impact Project Fund by \$5,000,000

SA24C Strategic Demolition and Smart Growth Impact Project Fund..... \$ 5,000,000

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
10,000,000	-5,000,000	5,000,000

Explanation: The effect of this amendment is to level fund the program.

4. Approve funding for Baltimore Regional Neighborhoods Initiative.
5. Approve funding for the Partnership Rental Housing Program.
6. Reduce the general obligation bond appropriation of the Homeownership Programs by \$6 million. The reduction includes a \$3 million for the Down Payment and Settlement Expense Loan Program to level fund the program and a \$3 million reduction in Net Zero Homes that is intended to be replaced by funds restricted from the Maryland Energy Administration.

SA25B Homeownership Programs..... \$ 8,000,000

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
14,000,000	-6,000,000	8,000,000

