



Testimony to the House Environment & Transportation Committee  
HB 1567 – Housing and Community Development – Affordable Housing  
Development Credit Program  
Position: OPPOSE  
March 3, 2020

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HB 1567 would create a state tax credit program that would pair with the existing federal Low Income Housing Tax Credit (LIHTC) for certain affordable housing projects. The credit would only be available to projects using the non-competitive 4% federal credit and State issued tax exempt bonds. This structure is typically used for acquisition/rehabilitation or substantial rehabilitation projects and is not widely used for the creation of new affordable housing units. While we appreciate the intent of the bill - to provide an additional resource for the development of affordable housing - our members did not have an opportunity to provide input on the proposed legislation. MAHC members are Maryland businesses and include the majority of the developers who use the LIHTC program in Maryland, and we were not given an opportunity to provide our input until the bill came out. Frankly, we think there are existing programs in place at DHCD that are a more efficient use of the State's limited resources and already provide capital funding for these same projects.

While we agree that - as the eighth most expensive State in the country - Maryland does need more affordable housing, we are not convinced that the addition of this tax credit will create the outcome intended. We looked into a state tax credit program a number of years ago when we were trying to find additional resources for affordable housing, and our members concluded that additional State loan funds would have a greater financial impact than a tax credit and thus Rental Housing Works (RHW) was born. RHW has been extremely successful in helping Maryland to use the previously underused bonding authority and 4% federal tax credits and in eight years RHW funds have leveraged over \$1.6 Billion in affordable housing investment. In fact, DHCD's multifamily bond issuance has more than TRIPLED in the last three years because RHW has been so successful. Due to Maryland's corporate tax structure, there is a limited pool of investors who have a Maryland tax liability and are willing to buy state credits at a competitive rate so the State would be forgoing \$1 per tax credit and the project would only receive an estimated \$.62 of that \$1 (according to the advocates for the bill).

MAHC is the leading organization for the affordable rental housing industry in Maryland and represents over 185 member organizations, including nonprofit and for-profit developers, State and local housing authorities, property management companies, financial institutions, community development organizations, contractors, tax credit investors, consultants and individuals. We would like the opportunity to work with the bill sponsors to further study how other states have created successful programs that could serve as a model for Maryland and to determine if there is an adequate market to make this program financially feasible before such a program moves forward. We understand the state has limited resources, and we want to ensure that state dollars are leveraged to the maximum extent possible. We encourage you to take the time to better understand the implications and limitations of a state tax credit and not move this legislation forward until more



# MARYLAND AFFORDABLE HOUSING COALITION

information is gathered and vetted by experienced tax credit developers and investors who currently do business in the State of Maryland.

**Respectfully submitted on March 3, 2020 by Miranda Darden-Willems, Executive Director, on behalf of the MAHC Board of Directors.**

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Miner Feinstein Architects  
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Montgomery County Dept of Housing & Community Affairs  
Montgomery Housing Partnership  
Morgan-Keller Construction  
Moseley Architects  
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Grimm + Parker Architects  
Habitat America  
Hagerstown Housing Authority  
Hamel Builders  
Harford County Housing Agency  
Harkins Builders  
HDC Mid-Atlantic  
Health Care for the Homeless  
Henson Development Company  
Heritage Housing Partners Corporation  
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Home Partnership, Inc.  
Homes for America  
Hooten Construction  
Housing Authority of Baltimore City  
Housing Commission of Anne Arundel County  
Housing Initiative Partnership (HIP)  
Housing Trust of America  
Howard Bank  
Howard County Dept. of Housing and Community Development  
Howard County Housing Commission  
Hudson Housing Capital  
Humphrey Management  
Ingerman Management  
Interfaith Housing Alliance  
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Jeff Kirby  
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Maryland Association of Housing & Redevelopment Agencies  
Maryland Department of Disabilities  
Maryland Department of Health  
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National Foundation for Affordable Housing Solutions  
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Real Property Research Group  
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Zavos Architecture + Design



# MARYLAND AFFORDABLE HOUSING COALITION

**We agree that there is a severe shortage of affordable housing units in Maryland, but a State Affordable Housing Credit is not the answer.**

As the leading voice of the affordable housing industry in Maryland, MAHC previously explored the prospect of creating a state housing credit such as SB715/HB1567 proposes and concluded that the credits would not generate enough equity to meet the financing needs of the projects. We felt then, as we do now, that a State funded loan program was a more efficient and effective gap financing tool for delivering the most affordable housing units in Maryland and worked closely with Maryland DHCD to create the highly successful Rental Housing Works loan program eight years ago.

	STATE TAX CREDIT	RENTAL HOUSING WORKS (RHW)
Return on Investment:	\$.62 cents per \$1 (estimated)	\$1 per \$1 + loan is repaid with 2% interest + financing fees paid to DHCD  (leveraging \$1.6 Billion in direct investment)
3 Year Cost:	\$150 Million (paid over 12 Years)	\$75 Million (\$25 Million per year)
Amount of State Funds Going Directly to Finance Housing Projects:	\$93 Million (62% of \$150M, over 12 years)	\$75 Million (100% of \$75M, over 3 years)
History of Investment in Maryland:	\$0	\$150 Million over 8 years
Supported by:	Out of State business specializing in the sale of State tax credits	Maryland Affordable Housing Coalition – 185 Maryland businesses

**Rental Housing Works (RHW) – A Better Investment of limited State Dollars to Create More Affordable Housing and Utilize Maryland’s Bonding Authority.**