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DATE: January 25, 2024

BILL NO.: Senate Bill 203

TITLE: Housing Innovation Pilot Program and Housing Innovation Fund - Establishment (Housing Innovation Pilot Program Act of 2024)

COMMITTEE: Senate Education, Energy, and the Environment Committee

Letter of Support

Description of Bill:

Senate Bill 203 would establish the Housing Innovation Pilot Program and Housing Innovation Fund. The Housing Innovation Pilot Program would be a program established within the Department of Housing and Community Development (DHCD). Through the Housing Innovation Pilot Program, DHCD would offer low-or-no interest loans to Public Housing Authorities (PHA) or to counties acquiring private sector housing in conjunction with a PHA. Projects financed under the Housing Innovation Pilot program must include at least 20% of units that are affordable to households making no more than 50% of the area median income (AMI), and at least 40% of units that are affordable to households making no more than 60% AMI. Additionally, projects must maintain the affordable set-asides for a period of at least 99 years, remain in public ownership, and include a commitment to prevailing wage requirements.

Background and Analysis:

Maryland faces a shortage of 96,000 housing units. Additionally, analysis has consistently emphasized that Maryland's greatest housing needs are for residents with low- and moderate incomes. Both the 2020 Maryland Housing Needs Assessment and the 2023 National Low-Income Housing Coalition analysis of housing unit shortages have found extreme housing deficits are for households with low incomes. Recently, the Comptroller's recent report found that this has a meaningful impact on Maryland's economy, as lower- and middle-income workers have left the state to find less expensive housing.

In the context of the extent of Maryland's housing crisis, DHCD supports an all-tools-in-the-toolbox approach to creating more housing units where the state has the greatest need. Low- and no-interest loans are an important tool to create more affordable housing, as this reduces the costs of servicing debt and reduces the level of rents needed for the housing project to be financially sustainable. An additional advantage of below-market loans is that they can be recycled to help new borrowers as the funds are repaid. These advantages are magnified in the Housing Innovation Pilot program, where: (1) market rents in mixed-income projects can offset reduced affordable rents; (2) state investment is complemented by local investment; and (3) both DHCD and local Public Housing Authorities have demonstrated success in producing more affordable housing through administering similar programs.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on Senate Bill 203