

SA25A
Division of Development Finance
Department of Housing and Community Development

Partnership Rental Housing (Statewide)

GO Bonds **\$10,000,000** **Recommendation: Approve**

Bill Text: Provide funds to be credited to the Partnership Rental Housing Fund to be administered in accordance with Article 83B, Sections 2-1101 through 2-1110.

Program Description: The Partnership Rental Housing Program (PRHP) provides loans to local governments to construct or rehabilitate rental housing throughout Maryland. The units are owned and managed by the local government and occupied by households with incomes below 50% of the State's median income. Repayment of the loan is not required as long as the local government or housing authority continues to own the housing and rent it to income-eligible families. The local governments are required to provide the finished site, including roads, water, sewer, and other infrastructure while the State finances construction.

Year Program Began: 1989

Comments: The fiscal 2004 general obligation (GO) bond allowance for PRHP is \$10.0 million which is an increase of \$2.0 million from what was appropriated for fiscal 2003 and \$4.0 million from what was planned for the fiscal year in the fiscal 2003 *Capital Improvement Program (CIP)*. The increase over what was planned reflects the budget committees desire to complete the State's \$65 million commitment towards public housing replacement in Baltimore City. This commitment was first funded by the State in fiscal 1995 to leverage significant federal HOPE VI funds. However, the General Assembly, through the Maryland Consolidated Capital Bond Loan of 2002 (MCCBL), amended the fiscal 2001 MCCBL to eliminate the provision that earmarked a portion of bond funds for the PRHP program specifically for Baltimore City replacement housing projects. In so doing, the General Assembly shifted the fiscal 2001 GO bond funds (\$9,174,000) earmarked for Baltimore City to the pool of funds available for statewide replacement housing projects. This action was taken because Baltimore City was not ready to move forward with the Hollander Ridge project and as such would not require a specific "fencing off" of funds for the project. Budget language adopted in the fiscal 2002 MCCBL requested increased funding for PRHP in fiscal 2003, and while additional funds were provided, a portion of the State's original commitment to Baltimore City remained unfunded. The additional fiscal 2004 funds will complete the State commitment.

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As shown in the fiscal 2004 project list, the combined future requests associated with the Montgomery County Moderately Priced Dwelling Unit (MPDU) and Hagerstown HOPE VI projects is estimated at approximately \$9.7 million. While future State funding is likely to take place over a two to three fiscal year period, the planned funding level for the program is only \$6.0 million annually beginning in fiscal 2005. This would suggest that it will be difficult for the department to initiate new Partnership Rental Housing funded projects over the next several years. **The Department of Legislative Services recommends that the department brief the committees concerning whether the current and proposed funding level for PRHP will allow the department to adequately increase the stock of available affordable housing. The department should also address its efforts to secure additional federal HOPE VI funds.**

Fund Data

Prior Program Activity – All Fund Sources

	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003*</i>
Encumbrances	\$8,257,000	\$3,876,000	\$7,125,000	\$24,812,065	\$8,095,630
Expenditures	\$5,436,089	\$8,150,859	\$4,032,145	\$9,641,970	\$8,104,576

*As of 12/31/02

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

<i>Fiscal Year</i>	<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	\$93.736	\$92.552	\$91.851	\$1.184	\$1.885
1999	13.174	13.174	9.250	0.000	3.924
2000	13.174	7.870	1.697	5.304	11.477
2001	12.474	10.657	7.853	1.818	4.621
2003	8.000	0.000	0.000	8.000	8.000
Total	\$140.558	\$124.253	\$110.651	\$16.306	\$29.907

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Authorization Request
(\$ in Millions)

<i>Description</i>	<i>2002 Approp.</i>	<i>2003 Approp.</i>	<i>2004 Request</i>	<i>2005 Estimate</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>
Total	\$0.000	\$8.000	\$10.000	\$6.000	\$6.000	\$6.000	\$6.000

Recommended Actions

Approve.

Fiscal 2004 Proposed Projects

The department intends to utilize the proposed \$10.0 million to provide round II funding for the Bloomsbury project and Baltimore City scattered site project. Initial funding will be provided for the Baltimore City Claremont, Carroll County Union Bridge, Montgomery County MPDU, and Washington County Hagerstown HOPE VI projects. As indicated in the chart below, MPDU and Hagerstown project will require future funding of approximately \$9.7 million.

Projects Included in the Fiscal 2004 Recommendation

<u>County</u>	<u>Project</u>	<u>Total Cost</u>	<u>Prior Authorization</u>	<u>Fiscal 2004 Amount</u>	<u>Future Request</u>	<u>Total State Share</u>
Anne Arundel	Bloomsbury II	\$ 5,231,000	\$ 2,365,000	\$ 1,156,000	\$ 0	67.3%
Baltimore City	Claremont	10,000,000	0	3,260,000	0	32.6%
Baltimore City	Scattered Site	4,640,000	2,226,000	374,000	0	56.0%
Carroll	Union Bridge	2,100,000	0	1,500,000	0	71.4%
Montgomery	MPDU VIII	6,700,000	0	1,020,000	3,634,000	69.5%
Washington	Hagerstown HOPE VI	26,682,000	0	2,689,000	6,036,000	32.7%
Total		\$53,353,000	\$4,591,000	\$10,000,000	\$9,670,000	

Source: Department of Budget and Management

- **Bloomsbury II:** The Bloomsbury project is separated into two phases for funding purposes. The total project will provide for the replacement of 51 units and a community center building to make room for the extension of the Lowe House Office Building. Phase II consists of 30 units and the community center. The project is currently under construction and completion is expected in June 2003. The request reflects the current project cost for the combined Bloomsbury project of \$8,436,527 of which \$5,491,365 is funded by PRHP. An additional \$150,000 to \$235,000 is

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anticipated to be needed for water and sewer hook up fees but the PRHP contribution will not increase. **DLS recommends that the department brief the committees concerning the status of the project including the project costs.**

- **Claremont:** This project will rehabilitate an East Baltimore public housing project known as Claremont Homes. The last of the funds reserved for the replacement of Baltimore City’s public housing high-rise projects will be applied to the Claremont project. The Department of Housing and Community Development reports that the Baltimore City Housing Authority has received a HOPE VI grant. The worksheet provided by DBM indicates that the \$3,260,000 of PRHP funds constitutes 100% of the project cost. However, the department indicates that the total project cost is \$10 million of which \$3,260,000, or 32.6% will be provided through PRHP.
- **Scattered Site:** This project consists of the acquisition and rehabilitation of 40 affordable rental housing units. The State’s funding contribution consists of \$2,226,000 to be funded during fiscal 2003 and \$374,000 of fiscal 2004 funding.
- **Union Bridge:** This project consists of the construction of 20 elderly housing units. The State’s financial contribution of \$2.1 million represents 71.4% of the projects costs and will be funded entirely with fiscal 2004 funds. In addition to the \$600,000 contributed to the project construction costs, the Town of Union Bridge has also contributed the land for the project.
- **Montgomery County Moderately Priced Dwelling Units Program:** Under the Montgomery County MPDU program, affordable housing units are built as part of larger, market-rate developments. The project request includes the construction of 60 new affordable units at various county locations.
- **Hagerstown HOPE VI:** The total project consists of the demolition of obsolete public housing and the construction of 162 public housing units and a community center. The project will take approximately four years to complete and will be funded in four phases. The total project is expected to cost \$26.7 million with the State contributing approximately \$8.7 million. Other funding sources include federal HOPE VI funds and federal low income housing tax credits.

Fiscal 2003 Project Status

A total of \$16,961,072 is available for PRHP projects during fiscal 2003. This includes the \$8.0 million provided in fiscal 2003 and \$8,961,072 of prior year funding that remained unencumbered at the close of fiscal 2002. The department is applying these funds to the projects listed below.

Proposed Use of Available Funds

<u>County</u>	<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Current Amount</u>	<u>Future Request</u>	<u>Total State Share</u>
Anne Arundel	Bloomsbury I	\$ 3,206,000	\$ 0	\$ 1,970,000	\$ 0	61.4%
Anne Arundel	Bloomsbury II	5,231,000	0	2,365,000	1,156,000	67.3%
Baltimore City	Flag House Courts	16,669,000	0	7,440,000	0	44.6%
Baltimore City	Flag House II	7,143,000	0	2,960,000	0	41.4%
Baltimore City	Scattered Site	4,640,000	0	2,226,000	374,000	56.0%
Totals		\$36,889,000	\$0	\$16,961,000	\$1,530,000	

Source: Department of Budget and Management