

SA00
Department of Housing and Community Development – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

| | <i>FY 2005 Approp.</i> | <i>FY 2006 Approp.</i> | <i>FY 2007 Allowance</i> | <i>Percent Change</i> | <i>DLS Recommd.</i> |
|---|----------------------------|----------------------------|------------------------------|---------------------------|-------------------------|
| Community Legacy Program | \$0 | \$0 | \$8,000 | -- | \$5,000 |
| Rental Housing Programs | 9,791 | 13,455 | 20,842 | 54.9% | 20,842 |
| Homeownership Programs | 4,611 | 6,395 | 7,600 | 18.8% | 7,600 |
| Special Loan Programs | 8,550 | 7,550 | 10,034 | 32.9% | 10,034 |
| Neighborhood Business Development Program | 6,091 | 6,000 | 6,000 | 0.0% | 6,000 |
| Partnership Rental Housing Program | 0 | 0 | 6,000 | -- | 6,000 |
| Community Development Block Grants | 10,000 | 10,000 | 10,000 | 0.0% | 10,000 |
| Total | \$39,043 | \$43,400 | \$68,476 | 57.8% | \$65,476 |

| Fund Source | | | | | |
|-----------------------|-----------------|-----------------|-----------------|--------------|-----------------|
| General | 0 | 0 | 27,742 | 0 | 24,742 |
| Special | 22,199 | 25,150 | 23,300 | -7.4% | 23,300 |
| Federal | 16,844 | 18,250 | 17,434 | -4.5% | 17,434 |
| PAYGO Subtotal | 39,043 | 43,400 | 68,476 | 57.8% | 65,476 |
| GO Bonds | 23,348 | 22,501 | 1,000 | -95.6% | 1,000 |
| Total | \$62,391 | \$65,901 | \$69,476 | 5.4% | \$66,476 |

Note: The chart does not reflect funds for the Maryland Historical Trust which totaled \$200,000 in fiscal 2005 and \$450,000 in 2006. Funds for the Maryland Heritage Tax Credit program of \$20 million in fiscal 2006 also are not included. These programs were transferred in fiscal 2006 to the Maryland Department of Planning as required by Chapter 440, Acts of 2005.

Note: Numbers may not sum to total due to rounding.

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Summary of Issues

Primary Programs Generally Align with State’s Geographic Needs: One-third of Maryland households cannot afford to purchase starter homes. Likewise, one-third of the State’s households, particularly in urban areas, cannot afford median rent. It appears that the Department of Housing and Community Development’s (DHCD) primary programs align with the State’s needs by geographic area type. **The Department of Legislative Services (DLS) recommends that DHCD comment on how the housing data by geographic area type can further ensure the agency best allocates its resources.**

DHCD Will Stretch Existing Resources to Increase Coverage of Rental Shortage from 28 to 40%: The shortage of affordable rental housing in Maryland is expected to grow to 157,000 units by 2014. By devising new ways to use its existing funds, DHCD estimates it can create about 900 additional multifamily rental units annually. Enhancements in existing homeownership programs are expected to free up an additional 900 rental units. These efforts should increase the agency’s coverage of the rental housing shortfall from 28 to 40%. **DLS recommends that DHCD comment on progress toward its rental and homeownership program enhancements, and whether it expects to generate an additional 1,800 rental units in fiscal 2006.**

Bridge Subsidy Program and Equity Fund Are Additional Priorities Among Housing Commission Recommendations: The Bridge Subsidy Program will provide short-term rental assistance for individuals with disabilities while they await permanent housing assistance. The Maryland Equity Fund will, among other things, reduce borrowing costs on multifamily rental housing projects. **DLS recommends that DHCD comment on the current status of the Bridge Subsidy Demonstration Program and the Maryland Equity Fund, and what types of projects are expected to be supported with the Equity Fund.**

Rental Housing Production Has Varied in Recent Years: DHCD plans to address up to 40% of the State’s projected shortage of affordable rental housing with its existing resources. However, rental housing production was uneven from fiscal 2002 to 2005, with an overall 44% decrease during this time due to some projects that did not materialize as expected. **DLS recommends that DHCD comment on how recent variation in rental housing production will affect its plans to address 40% of the State’s affordable rental housing shortage.**

Homeownership Progress Struggles Under Market Conditions: Since increased homeownership frees up rental units, DHCD expects that enhancements to its homeownership programs will help address up to 40% of the State’s projected shortage of affordable rental housing. However, the agency has assisted fewer than expected homebuying residents recently, primarily due to increasing home prices and low conventional interest rates. **DLS recommends that DHCD comment on how lower than expected assistance to homebuyers in recent years will affect its plans to address 40% of the State’s affordable rental housing shortage.**

Summary of Recommended Actions

| | <u>Funds</u> |
|-----------------------------------|---------------------|
| 1. Reduce Community Legacy funds. | \$ 3,000,000 |
| Total Reductions | \$ 3,000,000 |

Overview

General Funds Replace Bond Funds in Overall Capital Budget

Total funds for the DHCD capital budget are \$69.5 million in the fiscal 2007 allowance. This is a \$3.6 million increase over the fiscal 2006 working appropriation, as shown in **Exhibit 1**. These figures are for all DHCD capital funding, including programs funded solely with general obligation (GO) bonds. The most notable change in the allowance is a nearly complete replacement of GO bonds with general funds.

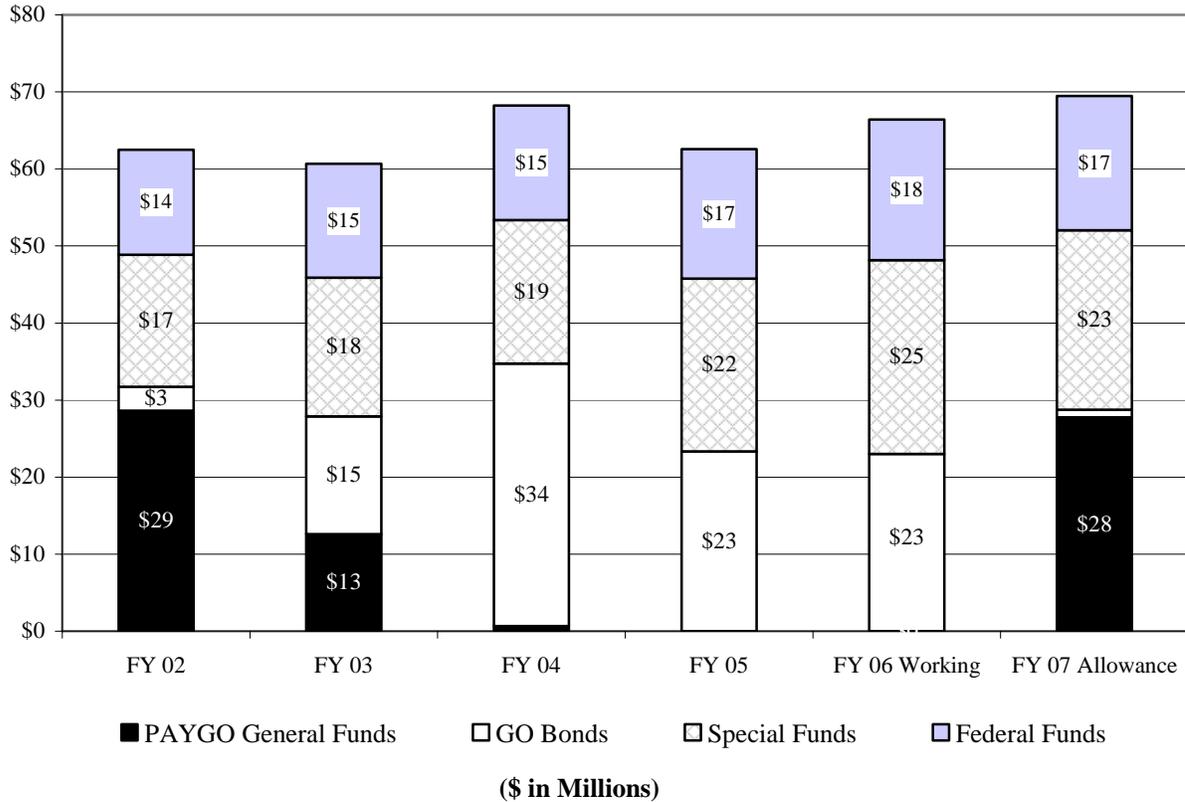
The allowance reverses a trend that began in fiscal 2003. At that time, due to statewide fiscal constraints and a shortage of general funds, the DHCD capital budget began shifting from use of general funds to GO bonds. Now that fiscal conditions have improved, general funds again appear in the DHCD capital budget.

In fact, the State has provided an incentive to use general funds rather than GO bonds by specifying that general funds for capital projects will not count toward the fiscal 2007 spending affordability limit. When general funds are available, they are preferable to paying for projects with debt because the debt service costs make total expenses for the projects higher. Furthermore, there are tax issues related to using proceeds from GO bonds, which are tax exempt, for private projects such as the rental housing construction supported by DHCD's grant and loan programs.

General Fund Increase More Than Offsets Decreases in Bonds and Special and Federal Funds

General funds total \$27.7 million in the allowance. This more than offsets the reduction of State funding through GO bonds from \$22.5 million in fiscal 2006 to \$1 million in 2007. Furthermore, it offsets special fund decreases of \$1.9 million and federal fund decreases of \$0.8 million.

Exhibit 1
DHCD Capital Budget Funding Mix
Fiscal 2002 – 2007
(\$ in Millions)



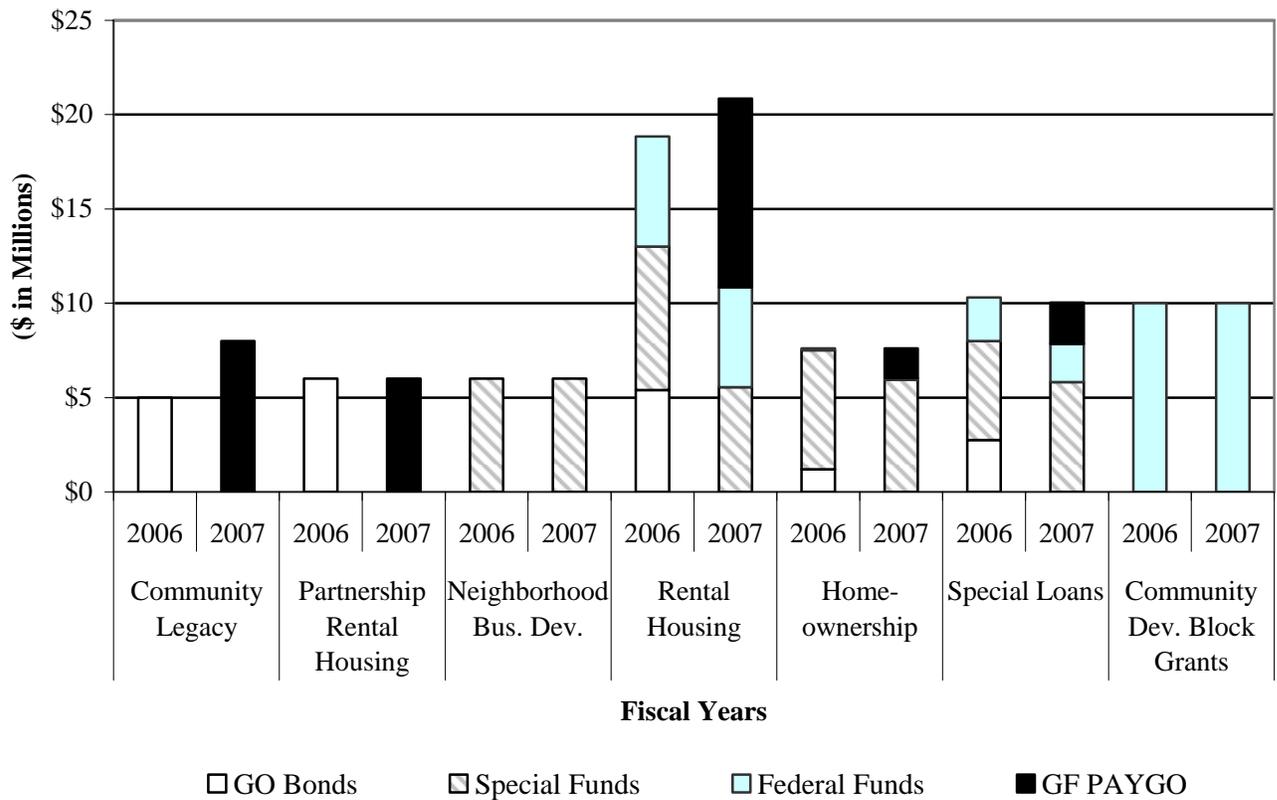
| | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>Working FY 06</u> | <u>Allowance FY 07</u> | <u>\$ Change 06 – 07</u> | <u>% Change 06 – 07</u> |
|---------------------|---------------|---------------|---------------|---------------|--------------------------|----------------------------|------------------------------|-----------------------------|
| PAYGO General Funds | \$28.6 | \$12.6 | \$0.7 | \$0.0 | \$0.0 | \$27.7 | \$27.7 | - |
| GO Bonds | 3.1 | 15.3 | 34.1 | 23.3 | 22.5 | 1.0 | -21.5 | -95.6% |
| Special Funds | 17.1 | 18.0 | 18.6 | 22.2 | 25.2 | 23.3 | -1.9 | -7.4% |
| Federal Funds | 13.7 | 14.8 | 14.9 | 16.8 | 18.3 | 17.4 | -0.8 | -4.5% |
| Total Funds | \$62.5 | \$60.7 | \$68.2 | \$62.4 | \$65.9 | \$69.5 | \$3.6 | 5.4% |

Note: Fiscal 2005 includes \$3 million in special funds from the dedicated purpose account for the Hurricane Isabel Housing Rehabilitation and Renovation program. The chart includes all DHCD capital funding including programs solely funded with GO bonds. Funds for the Maryland Historical Trust totaling \$200,000 in fiscal 2005 and \$450,000 in 2006 are not included, and funds for the Maryland Heritage Tax Credit program of \$20 million in fiscal 2006 are not included. These programs were transferred to the Maryland Department of Planning in fiscal 2006 as required by Chapter 440, Acts of 2005.

Source: Maryland State Capital Budget

Fund changes by program are shown in **Exhibit 2**. General funds are distributed among the Rental Housing, Community Legacy, Partnership Rental Housing, Special Loans, and Homeownership programs. All of the fiscal 2007 general fund amounts by program are higher than the 2006 GO bond amounts except in Special Loans.

Exhibit 2
DHCD Capital Budget Funds by Program
Fiscal 2002 – 2007
(\$ in Millions)



Source: Maryland State Capital Budget

The fiscal 2007 special fund decreases are in the Rental Housing and Homeownership programs, and the special funds increase is in the Special Loans program. DHCD reports that it considers special funds as a whole for all three of these programs; even though one may bring in more special funds than others, special funds are distributed among them according to DHCD’s projections of needs. Looking at federal funds, the Rental Housing and Special Loans programs see decreases. DHCD reports that the overall allocation of federal funds to Maryland decreased, which affected funds available.

Considering total funds by program, the Community Legacy program increases the most, rising from \$5 million in fiscal 2006 to \$8 million in 2007. Rental Housing has the next largest increase, at \$2 million. Other programs are level funded except for Special Loans, which decreases \$266,000 in the allowance due to lower federal funds available for the HOME Investment Partnership program. Altogether, DHCD programs in the PAYGO capital budget increase \$4.7 million. (The Shelter and Transitional Housing program is the only DHCD program to receive only GO bonds in fiscal 2007; it is budgeted for \$1 million.)

Note that previously the Maryland Heritage Structure Rehabilitation Tax Credit program was included in the DHCD budget, but now it is in the Maryland Department of Planning along with other Historical and Cultural Programs that were transferred.

Overview Issues

1. Primary Programs Generally Align with State’s Geographic Needs

Recent efforts associated with the Governor’s Commission on Housing Policy included a statewide study of housing demographics and affordability. A review of this study and additional data show that DHCD’s primary programs align with the State’s needs according to geographic area type.

Data by Urban, Suburban, Exurban, and Rural Area Types Can Help Guide Programs

The commission’s study developed categories of communities to guide the allocation of State housing and community development resources. The commission’s final report includes data categorized by urban, suburban, exurban, and rural areas. (DHCD developed criteria for the categories based on a review of various housing studies.) The areas represent U.S. Census Bureau block group, or sub-county, boundaries.

At the household level, urban households are dominant in Baltimore City, Montgomery, Baltimore, and Prince George’s counties. Suburban households are concentrated in Prince George’s, Anne Arundel, Montgomery, and Baltimore counties. The exurban areas of Carroll, Frederick, and Cecil counties have the most exurban households. The rural areas of St. Mary’s, Carroll, Frederick, Cecil, and Charles counties contain the most rural households.

One-third of Maryland Households – in All Area Types – Cannot Afford to Purchase Starter Homes

Statewide, about one-third of households cannot afford to purchase starter homes, as shown in **Exhibit 3**. This proportion is the same in every type of area – urban, suburban, exurban, and rural.

Homeownership affordability is affected by housing prices and household income. For the commission study, starter home prices are assumed to be 85% of the overall median home price, per the National Association of Realtors definition. A household meets the affordability threshold if its monthly mortgage payment does not exceed 25% of its monthly income.

Exhibit 3 Homeowner and Renter Household Data by Area Type Calendar 2000

| | Area Type ¹ | | | | State Total |
|--|------------------------|----------------|---------------|---------------|----------------|
| | Urban | Suburban | Exurban | Rural | |
| Total Number of Households | 1,106,447 | 542,788 | 164,087 | 157,726 | 1,971,048 |
| Percent of State Total | 56% | 28% | 8% | 8% | 100% |
| Homeowner Households | 626,832 | 441,977 | 137,531 | 132,784 | 1,339,124 |
| Percent of Area Type | 57% | 82% | 84% | 84% | 68% |
| Households That Cannot Afford Starter Homes² | 377,713 | 180,918 | 55,910 | 52,105 | 666,646 |
| Percent of Area Type | 34% | 33% | 34% | 33% | 34% |
| Renter Households | 480,726 | 99,245 | 26,428 | 24,600 | 630,999 |
| Percent of Area Type | 43% | 18% | 16% | 16% | 32% |
| Households That Cannot Afford Median Rent³ | 457,821 | 134,290 | 32,795 | 31,778 | 656,684 |
| Percent of Area Type | 41% | 25% | 20% | 20% | 33% |

¹ DHCD developed area types based on population, housing and street densities, and proximity, which involves adjacency and commuting distances. Areas represent U.S. Census Bureau block group, or sub-county, boundaries.

² Household income and housing price data are from the 2000 census. Interest rate data are from Maryland Association of Realtors information 2000 to 2003.

³ Household income and median rent data are from the 2000 census.

Source: Department of Housing and Community Development; *Governor's Commission on Housing Policy Final Report 2004*

In terms of homeownership rates, urban areas have the farthest distance to cover. Exhibit 3 shows that in urban areas homeowners account for 57% of the households, whereas in all other areas homeowners make up 82 to 84% of the households. Indeed, as shown in **Exhibit 4**, DHCD’s primary homeownership program focuses on urban areas, with three-fourths of the resources going there.

**Exhibit 4
DHCD Programs by Area Type
Fiscal 2006**

| | Area Type Percent of Program | | | |
|--|-------------------------------------|-----------------|----------------|--------------|
| | <u>Urban</u> | <u>Suburban</u> | <u>Exurban</u> | <u>Rural</u> |
| Homeownership | | | | |
| More House 4 Less (loans purchased January 1, 2003 to January 4, 2006) | 75% | 16% | 5% | 3% |
| Rental Housing | | | | |
| Multifamily Projects | 58% | 31% | 4% | 7% |
| Community Programs | | | | |
| Neighborhood Business Works | 74% | 19% | 7% | 0% |
| Community Legacy* | 45% | 41% | 11% | 2% |

* About 1% of Community Legacy programs are in non-specific geographic areas.

Note: Numbers may not sum to total due to rounding.

Source: Department of Housing and Community Development

It should be noted, however, that in every area type many households hold mortgages that are substantially less than the market price of their homes. Income data reveal that a large portion of these households do not reach the homeownership affordability threshold in their respective area type despite being homeowners. Therefore, repeat homebuyers in any area may face the same challenges as first-time buyers.

One-third of Maryland Households – Particularly in Urban Areas – Cannot Afford Median Rent

As with starter home affordability, about one-third of households statewide cannot afford median rents. In the rental case, however, urban areas have the largest proportion of households that cannot afford rents.

As shown in Exhibit 3, 41% of households in urban areas cannot afford median rent. In other areas, 20 to 25% of the households cannot afford median rent. An affordable unit is defined as one where a renter spends less than 30% of gross income on rent. Exhibit 4 shows that DHCD's rental programs focus on urban areas, with 58% of the program resources going there.

Affordable rental housing is of particular concern for workforce and low-income families, seniors, and individuals with disabilities at Supplemental Security Income levels (below \$7,000 annually). DHCD produced a report for the Commission on Housing Policy that highlights the rental housing challenges for these groups, particularly those who earn less than 50% of the area median income (calculated separately for each county) and pay more than 30% of their income for rent.

DLS recommends that DHCD comment on how the housing data by geographic area type can further ensure the agency best allocates its resources.

2. DHCD Will Stretch Existing Resources to Increase Coverage of Rental Shortage from 28 to 40%

Need for Affordable Rental Housing Expected to Reach 157,000 by 2014

The need for affordable rental housing is expected to grow in the coming years. As of 2000, Maryland had a deficit of about 125,000 affordable and available workforce rental housing units. The shortage is expected to increase to 157,000 units by 2014, a 26% rise. Most (two-thirds) of the shortage is expected to affect families.

DHCD finances the production of about 2,700 units of affordable rental housing units annually. If the agency continues to produce at this rate, the projected rental housing shortage will be reduced by only 27,000 units from 2000 to 2014, leaving the shortage at an estimated 112,750 units. **Exhibit 5** shows the detail.

Exhibit 5
Addressing the Affordable Rental Housing Shortage Gap
Fiscal 2004 – 2014

| | <u>Current DHCD Production</u> | <u>With DHCD Program Enhancements</u> |
|---|---|--|
| Rental Housing Production | 2,709 | 3,609 |
| Homeownership Production* | 1,716 | 2,616 |
| Total Number of Rental Housing Units Produced Annually | 4,425 | 6,225 |
| Shortage Over 10 Years (2004 to 2014) | 157,000 | 157,000 |
| Units Produced Over 10 Years | 44,250 | 62,250 |
| Percent of Shortage Covered | 28% | 40% |
| Remaining Shortage at End of 10 Years | 112,750 | 94,750 |

*Increased homeownership directly affects the workforce affordable rental housing market by freeing up occupied rental units and by reducing the demand for rental housing.

Source: Department of Housing and Community Development; *Workforce Affordable Housing in Maryland*, December 2004

State Funds Cover About 7% of Each New Unit’s Costs

DHCD’s production of 2,700 rental housing units each year is based on the funding sources it controls. These sources include:

- State appropriations, currently about \$18 million annually (not including \$4 million the State receives in federal HOME funds for the Special Loans program);
- federal 9% Low Income Housing Tax Credit (LIHTC) allocations of about \$10 million annually;
- loans financed by tax exempt bonds, which are subject to DHCD’s \$150 million tax-exempt revenue bond volume cap (current volume is about \$110 million per year);
- loans financed by taxable bonds; and

- federal 4% LIHTC allocations that are automatically awarded to projects that use tax exempt bonds, provided the bond finances more than 50% of the project cost.

Other funding sources for multifamily rental housing include loans from private lenders and other government sources, as well as developer equity, often in the form of a deferred fee. DHCD estimates that each unit of rental housing costs \$114,000 to produce. Over the past five years, DHCD-controlled funding sources have supported an average of 72% of the development costs of rental housing produced by DHCD. Of this amount, about \$8,208 per unit (7% of the total) is from State funds.

About 1,800 Additional Units to Be Produced Annually with Enhancements

By devising new ways to use the existing funds it controls, DHCD estimates it can create about 900 additional multifamily rental units annually. Enhancements in existing homeownership programs are expected to free up an additional 900 rental units. Exhibit 5 shows that these efforts should increase the agency's coverage of the rental housing shortfall from 28 to 40%. DHCD notes that it cannot by itself address the shortfall. Partners from all levels of government and the private sector will be needed.

Rental Housing Enhancements

New approaches for multifamily rental projects include:

- combining State loans and (nonbudgeted) bond funds issued by the agency's Community Development Administration (CDA),
- optimizing the number of tax credit only projects, and
- improving DHCD's bond program.

DHCD has submitted legislation (SB 126) for the 2006 session that would expand the Partnership Rental Housing Program. This program provides loans to local governments to finance rental housing construction, and local governments are required to provide the finished site with infrastructure improvements as well as to own the property and oversee operations. The legislation intends to streamline the participation process for local governments, particularly by providing flexibility in how the local contribution level is determined. It also intends to enable the program to finance privately owned housing for individuals with disabilities. In exchange, the private developer would be required to rent a certain number of units to individuals with disabilities at affordable rents.

Generating any additional rental units beyond DHCD's planned enhancements would require new funding sources. DHCD says that each additional unit would cost about \$112,000, and, assuming no new financing techniques and a traditional financing vehicle, \$63,000 (or 56%) of the production costs would need to come from State resources. The agency reports that more State

resources would be needed than for units in current production efforts because the estimate assumes a maximum State contribution in order to further stretch non-state funding sources.

Homeownership Enhancements

Increased homeownership directly affects the workforce affordable rental housing market by freeing up occupied rental units and by reducing the demand for rental housing. There is good news in that national data from Fannie Mae (provided by DHCD) indicate that homeownership rates – for the total United States population as well as specifically for minorities – will increase about 5% through 2014.

DHCD reports it can increase its homeownership production by about 900 units per year without additional State funding. The agency already has restructured its Maryland Mortgage Program and launched the More House 4 Less initiative in April 2003; these are based on (nonbudgeted) bond funds issued through CDA.

These and other new approaches are based on the following strategies:

- increasing borrowing options, such as providing interest-only loans and down payment and settlement expense assistance;
- lowering interest rates and providing interest rate lock periods;
- improving branding and marketing;
- enhancing DHCD's tax-exempt revenue bond program; and
- creating new partnerships with private lenders to assist potential borrowers who are not eligible for DHCD's tax exempt bond program.

The new DHCD efforts include a focus on improving workforce affordable housing, as with the employer-assisted House Keys 4 Employees program. Workforce housing usually refers to housing for civil servants such as police officers, firefighters, and teachers who may be obliged to live far from their workplace because of a lack of affordable housing. Household income for this group is generally defined as 80 to 120% of area median income.

DLS recommends that DHCD comment on progress toward its rental and homeownership program enhancements, and whether it expects to generate an additional 1,800 rental units in fiscal 2006.

3. Bridge Subsidy Program and Equity Fund Are Additional Priorities Among Housing Commission Recommendations

Governor Robert L. Ehrlich, Jr., issued an executive order in March 2003 that created the Governor's Commission on Housing Policy. The purpose of the commission was to recommend to the Governor specific and measurable actions that could increase and preserve quality affordable housing in all Maryland communities. In December 2004, the commission submitted eight recommendations to the Governor.

Bridge Subsidy Demonstration Program

Establishing a Bridge Subsidy program for individuals with disabilities is one of DHCD's priorities in implementing the recommendations. This program will provide short-term rental assistance for 75 to 100 individuals annually, for up to three years, while they await permanent housing assistance such as a HUD Section 8 voucher. A memorandum of understanding among DHCD, local housing authorities, and other housing entities is pending. This agreement outlines how eligible participants will be identified and how the program will be carried out. DHCD expects to begin offering rental assistance payments in February or March.

The Bridge Subsidy program's cost is estimated at \$700,000 each year for three years, for a total of \$2.1 million. DHCD has committed \$1.2 million in funding, which will be made available from the agency's contract administration funds from the U.S. Department of Housing and Urban Development. Local and other sources will be pursued to contribute the remainder.

Maryland Equity Fund

Another priority for DHCD is to implement the commission's recommendation concerning a Maryland Equity Fund. In fact, the fund has been established and project funding is anticipated in the first half of 2006. This private equity fund can, among other things, reduce borrowing costs on multifamily rental development.

The fund is envisioned as a "double bottom line" private equity fund or family of funds. The first bottom line is a risk-adjusted, upper-quartile market rate of return for institutional investors. The second bottom line includes positive economic, social, and environmental benefits, as defined by the funds' governing body, which are produced by the investments.

The equity fund market assessment identified significant potential demand in Maryland for housing and commercial tracts in low- and moderate-income areas (up to 120% of area median family income). The assessment considered growth projections for factors such as population, households, and employment. The assessment estimates \$2.2 billion in total market potential. This far surpasses the general rule that \$500 million in potential deal flow is needed, DHCD reports.

DLS recommends that DHCD comment on the current status of the Bridge Subsidy Demonstration Program and the Maryland Equity Fund, and what types of projects are expected to be supported with the Equity Fund.

SA00 – Department of Housing and Community Development – PAYGO

Consolidated Administrative Expenses – All Programs

| | FY 2005 Actual | FY 2006 Estimated | FY 2007 Estimated |
|--------------------------------------|---------------------------|------------------------------|------------------------------|
| Sources: | | | |
| Special Funds | | | |
| Maryland Historic Trust | \$0 | \$0 | \$0 |
| Neighborhood Business Revitalization | 1,238,411 | 901,297 | 1,201,010 |
| Rental Housing Program | 1,969,316 | 2,594,909 | 2,601,758 |
| Homeownership Program | 1,889,934 | 1,490,583 | 1,500,022 |
| Special Loan Program | 1,372,757 | 1,601,941 | 1,595,442 |
| Subtotal – Special Funds | \$6,470,418 | \$6,588,730 | \$6,898,232 |
| General Funds | 0 | 0 | 0 |
| Other Special | 3,153,106 | 3,390,760 | 3,803,915 |
| Federal Funds | 0 | 0 | 0 |
| Total Funds | \$9,623,524 | \$9,979,490 | \$10,702,147 |

| | | | |
|--|--------------------|--------------------|---------------------|
| Uses: | | | |
| Direct Expenses | \$6,139,846 | \$7,152,423 | \$7,539,808 |
| Indirect Expenses | | | |
| Legal Services | 665,428 | 609,296 | 630,666 |
| CDA Administration | 590,396 | 428,127 | 350,735 |
| Asset Management | 515,591 | 536,554 | 459,850 |
| General (Office of Secretary, Personnel, etc.) | 1,712,263 | 1,253,090 | 1,721,088 |
| Total Direct & Indirect Expenses | \$9,623,524 | \$9,979,490 | \$10,702,147 |

The administration of PAYGO funds in DHCD is complicated in that the units which administer the State-funded loan programs also administer a variety of other programs which may be supported by general funds, federal funds, or nonbudgeted revenue bond funds. In general, the department agrees to use no more than 20% of any PAYGO fund's annual lending activity for administrative expenses. The agency is able to meet this somewhat artificial limit because of other sources of funds – administration funds under federal grants and the General Bond Reserve Fund (GBRF), most notably – are available to meet the expenses of the operating units. **DLS recommends that DHCD comment on why administrative expenses have increased from 15 to 20% of lending activity.**

Community Legacy Program (Statewide)

PAYGO GF **\$8,000,000** **Recommendation: Reduce \$3,000,000**

Program Description: The Community Legacy Program provides grants and loans to assist in the revitalization of neighborhoods that are at risk of physical, economic, or social deterioration. Priority is given to communities with residents, businesses, and institutions that are committed to revitalization and have demonstrated leadership ability. Funds may be used for streetscapes and façades, recreational amenities, community gathering places, and other capital improvements that enhance the desirability of the community. Fund recipients may be individuals and business owner-occupants, community development organizations, and local governments.

Program Performance Analysis: In fiscal 2005, the Community Legacy Program approved 62 multi-year projects for communities throughout the State. The projects include improvements to parking lots, commercial facades, and interior amenities that are expected to help non-profit organizations draw 185,000 more customers annually. Improvements for community facilities, including parks, municipal centers, YMCAs, and neighborhood safe havens will serve an estimated 45,000 additional Marylanders annually.

Fiscal 2006 projects have not been finalized. DHCD has submitted the list of proposed projects to the Board of Public Works and is awaiting its decision. **DLS recommends that DHCD comment on why the 2006 projects have not yet been funded seven months into the fiscal year.**

Fund Data**Fund History**

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$377,450 | \$72,359 | \$0 |
| REVENUE | | | |
| General Funds | 0 | 0 | 8,000,000 |
| GO Bonds | 5,000,000 | 5,000,000 | 0 |
| Transfer from Other Funds | 0 | 0 | 0 |
| Loan Repayments and Interest | 72,359 | 300,000 | 400,000 |
| TOTAL REVENUE | 5,072,359 | 5,300,000 | 8,400,000 |
| TOTAL AVAILABLE | 5,449,809 | 5,372,359 | 8,400,000 |
| ENCUMBRANCES | | | |
| Loans | 5,377,450 | 5,000,000 | 8,000,000 |
| Operating Expenses | 0 | 372,359 | 400,000 |
| TOTAL ENCUMBRANCES | 5,377,450 | 5,372,359 | 8,400,000 |
| Ending Balance | \$72,359 | \$0 | \$0 |

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO GF | \$0.000 | \$0.000 | \$8.000 | \$8.000 | \$8.000 | \$8.000 | \$8.000 |
| GO Bonds | 5.000 | 5.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total | \$5.000 | \$5.000 | \$8.000 | \$8.000 | \$8.000 | \$8.000 | \$8.000 |

Recommended Actions

1. Reduce \$3,000,000.

Fiscal 2007 Proposed Projects

Community Legacy funds are awarded annually on a competitive basis.

Fiscal 2006 Project Status

Fiscal 2006 Community Legacy projects have not yet been approved by the Board of Public Works. Following is a list of project applications received for fiscal 2006 and a list of fiscal 2005 approved projects.

Fiscal 2006 Applications Received

| <u>Applicant</u> | <u>Project Name</u> | <u>County</u> | <u>Amount Requested</u> |
|---|--|----------------|-------------------------|
| Cumberland, City of | New Facility Construction | Allegany | \$410,000 |
| Cumberland, City of | Upper Story Redevelopment | Allegany | 205,000 |
| Cumberland, City of | Live and Work Under the Same Roof | Allegany | 205,000 |
| Cumberland, City of | Virginia Avenue Corridor Redevelopment Plan | Allegany | 307,500 |
| Cumberland, City of | Rehabilitation/Code Compliance Program | Allegany | 250,000 |
| Cumberland, City of | Community Betterment Areas Homestead Project | Allegany | 77,900 |
| Cumberland, City of | Demolition/Blight Removal | Allegany | 205,000 |
| Cumberland, City of | Wills Mountain Acquisition | Allegany | 307,500 |
| Frostburg, City of | Main Street Revolving Loan Fund | Allegany | 512,500 |
| Annapolis, City of – Clay Street | Acquisition Rehabilitation | Anne Arundel | 379,250 |
| Annapolis, City of – Bates Neighborhood | Smithville Streetscape Improvement | Anne Arundel | 136,193 |
| Anne Arundel County Development Services | Brooklyn Park Rehabilitation Program | Anne Arundel | 410,000 |
| Dundalk Renaissance Corporation | Housing Restoration Program | Baltimore | 250,000 |
| B & O Railroad Museum, Inc. | B&O Railroad Museum Whistle-Stop Gateway Project | Baltimore City | 200,000 |
| Diakon Lutheran Social Ministries | Diakon Place | Baltimore City | 300,000 |
| Diakon Lutheran Social Ministries | Ashland Park Project in Madison East End | Baltimore City | 150,000 |
| Baltimore Dept. of Housing & Comm. Dev. | 1200 Block of N. Washington Street | Baltimore City | 153,750 |
| Baltimore Dept. of Housing & Comm. Dev. | Poppleton Housing Initiative | Baltimore City | 466,391 |
| Baltimore Dept. of Housing & Comm. Dev. | Hollins Market Homesteading Initiative | Baltimore City | 237,072 |
| Baltimore Dept. of Housing & Comm. Dev. | Neighborhood Conservation Program – W. Arlington | Baltimore City | 206,497 |
| Jubilee Baltimore, Inc. | Penn North | Baltimore City | 256,250 |
| Jubilee Baltimore, Inc. | Upper Eutaw Place/Madison Avenue | Baltimore City | 256,250 |
| Unitarian Universalist | Neighborhood Intervention in Urban and Rural Communities | Baltimore City | 300,000 |
| Southeast Community Development Corp. | Eastern Avenue Commercial Intervention | Baltimore City | 512,500 |
| Baltimore Development Corporation | Roll Down Gate Removal Project | Baltimore City | 250,000 |
| Sharp-Leadenhall Planning Committee, Inc. | Solo Gibbs Community Resource Center | Baltimore City | 499,187 |
| Comprehensive Housing Assistance, Inc. | Housing Renovation | Baltimore City | 100,000 |
| Comprehensive Housing Assistance, Inc. | Neighborhood Park and Playground @ Fallstaff School | Baltimore City | 100,000 |
| Patterson Park Community Dev. Corp. | Library Square Historic Facade Renovations | Baltimore City | 153,750 |
| East Baltimore Development | Ashland Apartments | Baltimore City | 9,203,738 |

SA00 – Department of Housing and Community Development – PAYGO

| <u>Applicant</u> | <u>Project Name</u> | <u>County</u> | <u>Amount Requested</u> |
|---|---|----------------|-------------------------|
| CARED, Inc | Green Homes for Young Professionals | Baltimore City | 307,500 |
| Unity Properties, Inc. | Home Improvement Program | Baltimore City | 150,000 |
| North Beach, Town of | Chesapeake Avenue Underground Utilities Project | Calvert | 500,000 |
| Federalsburg, Town of | Historical Society's Museum and Headquarters | Caroline | 128,000 |
| Denton Development Corporation | Fourth Street Redevelopment Phase II | Caroline | 400,000 |
| Taneytown, City of | Community Legacy Plan Approval Only – NO Funding Requested | Carroll | 0 |
| Westminster, City of | Union Street Community Center | Carroll | 205,000 |
| Westminster, City of | Workforce Housing Initiative | Carroll | 102,500 |
| Westminster, City of | Homeownership Initiative | Carroll | 20,625 |
| Westminster, City of | Pennsylvania Avenue Streetscape Engineering Study | Carroll | 51,250 |
| Ministers Alliance of Charles County and Vicinity, Inc. | Embassy Complex Phase II | Charles | 287,000 |
| Cambridge, Commissioners of | High Street Infrastructure and Streetscape Improvements | Dorchester | 717,500 |
| Cambridge, Commissioners of | Harriet Tubman Museum and Education Center | Dorchester | 246,000 |
| Cambridge, Commissioners of | Chesapeake College Facade | Dorchester | 512,500 |
| Cambridge, Commissioners of | Transitional Shelter | Dorchester | 96,727 |
| Cambridge, Commissioners of | Gateway Signage | Dorchester | 3,075 |
| Town of Thurmont | Community Legacy Plan Approval Only – NO Funding Requested | Frederick | 0 |
| Brunswick, City of | Brunswick Heights Improvement Project | Frederick | 133,070 |
| Garrett County Community Action Committee, Inc. | Streetscape Improvement Project | Garrett | 126,075 |
| Garrett County Community Action Committee, Inc. | Loch Lynn Community Building | Garrett | 66,625 |
| Garrett County Community Action Committee, Inc. | Façade Program | Garrett | 41,000 |
| Garrett County Community Action Committee, Inc. | Fort Alice Acquisition | Garrett | 51,250 |
| Garrett County Community Action Committee, Inc. | Kitzmiller Housing Project | Garrett | 51,250 |
| Unitarian Universalist | Neighborhood Intervention-Garrett County | Garrett | 200,000 |
| Harford County | Housing Incentive Rehabilitation Loan Program | Harford | 256,250 |
| Howard County Dept. of Housing & Community Development | Corridor Housing Development Project | Howard | 455,385 |
| Montgomery County | Art's Alley at Blair Mill | Montgomery | 400,000 |
| Montgomery County | Small Business Loan Fund | Montgomery | 300,000 |
| Gaithersburg, City of | North Summit Avenue Olde Towne Connection Project | Montgomery | 125,500 |
| Washington Area Housing Trust Fund | Acquisition of Moderately Priced Dwelling Units | Montgomery | 500,000 |

SA00 – Department of Housing and Community Development – PAYGO

| <u>Applicant</u> | <u>Project Name</u> | <u>County</u> | <u>Amount Requested</u> |
|--|---|-----------------|-------------------------|
| Takoma Park, City of | Tenant Opportunity to Purchase Revolving Loan Fund | Montgomery | 50,000 |
| Takoma Park, City of | Old Town Commercial Revitalization | Montgomery | 256,250 |
| Bowie, City of | Street Improvement Program | Prince George's | 399,750 |
| Colmar Manor, Town of | Colmar Manor Town Center | Prince George's | 500,000 |
| Central Gateway Community Development Corp. | Kingdom Square Facade Program | Prince George's | 800,000 |
| Bladensburg, Town of | Bostwick Structural Stabilization | Prince George's | 337,179 |
| Port Towns Community Development Corporation | Business Façade Program | Prince George's | 200,000 |
| Hyattsville, City of | Rehabilitation of 4318 Gallatin Street | Prince George's | 777,975 |
| Hyattsville, City of | Business Improvement / Conversion Loans | Prince George's | 202,000 |
| Hyattsville, City of | Public Safety Improvements to Hamilton Street | Prince George's | 111,469 |
| Seat Pleasant, City of | Neighborhood Revitalization | Prince George's | 256,250 |
| Seat Pleasant, City of | Slum and Blight Removal | Prince George's | 756,250 |
| College Park, City of | Downtown Redevelopment and Parking Garage | Prince George's | 862,435 |
| College Park, City of | North Gate Subarea Access Improvements | Prince George's | 92,250 |
| College Park, City of | North Gate Park | Prince George's | 208,588 |
| Washington Area Community Investment Fund | Housing/Community-Based Technical Assistance Program | Prince George's | 300,000 |
| Mount Rainier, City of | 3409 Redevelopment | Prince George's | 205,000 |
| CARED, Inc | Walker Mill Day Care and Community Training Center | Prince George's | 235,750 |
| Leonardtown, Commissioners of | Leonardtown Wharf | Saint Mary's | 404,000 |
| St. Mary's County Housing Authority | Colony Square Revitalization Project | Saint Mary's | 487,500 |
| Easton, Town of | Frederick Douglass Monument Project | Talbot | 200,000 |
| Easton, Town of | Easton Facade Improvement Program | Talbot | 75,000 |
| Easton, Town of | Upper Story Redevelopment | Talbot | 150,000 |
| Easton, Town of | Avalon Theatre Project | Talbot | 36,000 |
| Hagerstown, City of | Historic Alms House | Washington | 200,000 |
| Salisbury, City of | Isabella Street Streetscape | Wicomico | 184,500 |
| Berlin, Town of | Community Legacy Plan Approval Only – NO Funding Requested | Worcester | 0 |
| Ocean City Development Corp. | Facade Improvements | Worcester | 50,000 |
| Ocean City Development Corp. | Land Acquisition | Worcester | 100,000 |
| Ocean City Development Corp. | Demolition | Worcester | 50,000 |
| Pocomoke, City of | Downtown Streetscape Project | Worcester | 47,068 |
| Pocomoke, City of | Sturgis One-Room School Museum Improvements | Worcester | 5,125 |
| Pocomoke, City of | Mar-Va Theater Sound System | Worcester | 30,733 |
| Pocomoke, City of | Downtown Building Interior Rehabilitation | Worcester | 92,250 |
| Total | | | \$32,098,633 |

Fiscal 2005 Project Status

| <u>Awardee</u> | <u>Project Name</u> | <u>County</u> | <u>Amount</u> |
|--|---|-----------------|---------------|
| Cumberland, City of | Rehabilitation/Code Compliance Program | Allegany | \$125,000 |
| Frostburg, City of | Main Street Revolving Loan Fund | Allegany | 100,000 |
| Frostburg, City of | Dilapidated Demolition | Allegany | 15,000 |
| Anne Arundel County | Brooklyn Park Property Rehabilitation Program | Anne Arundel | 100,000 |
| Dundalk Renaissance Corporation | Housing Restoration Program | Baltimore | 100,000 |
| Jubilee Baltimore, Inc. | Eutaw Place/Madison Avenue Historic District | Baltimore City | 200,000 |
| Patterson Park Community Development Corp. | Historic Façade Renovations | Baltimore City | 100,000 |
| Knox Community Development Corporation | Dawson Safe Haven for Children, Youth and Families | Baltimore City | 214,271 |
| Unity Properties, Inc. | OROSW Home Improvement Program | Baltimore City | 97,609 |
| Brooklyn and Curtis Bay Coalition, Inc. | Sixth Street Townhouses | Baltimore City | 50,000 |
| Brooklyn and Curtis Bay Coalition, Inc. | Welcome Home | Baltimore City | 102,500 |
| Community Capital of Maryland, Inc. | Northeast Baltimore Neighborhood Intervention | Baltimore City | 100,000 |
| Washington Village-Pigtown Neighborhood Planning Council | Pigtown Main Street Revolving Loan Fund | Baltimore City | 150,000 |
| Great Blacks In Wax Museum, Inc. | Landscape & Physical Improvement Project | Baltimore City | 150,000 |
| Calvert County | Interior Restoration of the Linden House | Calvert | 75,000 |
| Denton, Town of | Fourth Street Redevelopment Phase II | Caroline | 50,000 |
| Port Deposit, Town of | Revolving Loans for Businesses and Homeownership | Cecil | 25,000 |
| Charles County, Commissioners of | Laurel Springs Special Playground For All | Charles | 100,000 |
| New Community CDC | New Community | Charles | 150,000 |
| Garrett County, Maryland, Community Action Committee, Inc. | Façade Program | Garrett | 25,000 |
| Garrett County, Maryland, Community Action Committee, Inc. | Streetscape Improvements | Garrett | 75,000 |
| Garrett County, Maryland, Community Action Committee, Inc. | Kitzmiller Credit Union Development | Garrett | 39,975 |
| Garrett County, Maryland, Community Action Committee, Inc. | Pritts Building Demolition | Garrett | 100,000 |
| Bel Air, Town of | Bel Air Armory | Harford | 175,000 |
| Havre de Grace, City of | Façade Improvements – Pennington Ave.& Franklin St. | Harford | 76,875 |
| Harford County | Edgewood Revitalization Loan Fund Phase II | Harford | 30,000 |
| Howard County Dept. of Housing & Community Development | Corridor Housing Development Project | Howard | 150,000 |
| Laurel, City of | Historic Main Street Streetscape | Prince George's | 107,625 |

SA00 – Department of Housing and Community Development – PAYGO

| <u>Awardee</u> | <u>Project Name</u> | <u>County</u> | <u>Amount</u> |
|---|--|-----------------|--------------------|
| Housing Initiative Partnership, Inc. | Infamous Houses | Prince George's | 20,000 |
| Housing Initiative Partnership, Inc. | High Risk Rehab Loan Program | Prince George's | 50,000 |
| Hyattsville, City of | 4307 Jefferson Street | Prince George's | 300,000 |
| Fairmount Heights, Town of | Homeowner Occupied Rehabilitation Program | Prince George's | 50,000 |
| Fairmount Heights, Town of | Acquisition Revovation Program | Prince George's | 150,000 |
| Hyattsville, City of | Public Safety Improvements to Hamilton Street | Prince George's | 110,000 |
| Gateway Municipalities Community Development Corp. | World Arts Focus/Joe's Movement Emporium | Prince George's | 150,000 |
| Seat Pleasant, City of | Demolition of vacant houses | Prince George's | 75,000 |
| College Park, City of | Parking Garage & Land Acquisition | Prince George's | 150,000 |
| Port Towns Community Development Corporation | Port Towns Commercial Façade Improvements | Prince George's | 75,000 |
| District Heights, City of | District Heights Commercial Area Revitalization | Prince George's | 250,000 |
| Mount Rainier, City of | Community Center | Prince George's | 2,950 |
| Mount Rainier, City of | 34th Street Shops, Etcetera | Prince George's | 50,000 |
| St. Mary's County, Board of Commissioners | Nicolet Park Entrance – Road Sidewalk Project | St. Mary's | 50,000 |
| Crisfield, City of | Grant Building Demolition | Somerset | 75,000 |
| Easton, Town of | Upper Story Redevelopment Gap Financing | Talbot | 75,000 |
| Easton, Town of | East End Community Garden | Talbot | 3,723 |
| Easton, Town of | Strategic Acquisition Fund | Talbot | 25,000 |
| Easton, Town of | Graham's Park Phase II | Talbot | 46,154 |
| Hagerstown, City of | Massey Redevelopment | Washington | 50,000 |
| Salisbury, City of | Rose/Lake Street Redevelopment | Wicomico | 66,318 |
| Ocean City Development Corp. | OCDC Downtown Facade Improvement Program | Worcester | 50,000 |
| Ocean City Development Corp. | The Tarry A While Guest House | Worcester | 100,000 |
| Ocean City Development Corp. | Streetscape of South First Street | Worcester | 50,000 |
| Pocomoke, City of | Pocomoke River Discovery Center Exterior Work | Worcester | 75,000 |
| Pocomoke, City of | Downtown Facade Improvements | Worcester | 35,000 |
| Pocomoke, City of | Demolition of former grocery store building | Worcester | 82,000 |
| Total | | | \$5,000,000 |

Neighborhood Business Development Program (Statewide)

PAYGO SF \$6,000,000 **Recommendation: Approve**

Program Description: The Neighborhood Business Development Program (NBDP) was established to provide gap financing for small businesses in locally designated revitalization areas. Loan financing ranges from \$25,000 to \$500,000 for each project and is designed to supplement private financing and equity from the borrower. Applicants must secure private financing equal to a 50% match on State loan funds and provide a 5% equity investment to receive a low-interest or deferred payment loan. The program also provides grants to nonprofit organizations that contribute to community-based economic development revitalization efforts. Approximately 70% of the program’s funds are used for loans to private firms and nonprofits and 30% for grants to nonprofits.

Program funds also support the Capital Access Program (CAP), a component of NBDP established by Chapter 98, Acts of 2000. CAP is a credit enhancement program that enables private lenders to establish a loan loss reserve fund from fees paid by lenders, borrowers, and the Department of Housing and Community Development (DHCD). Borrowers and participating lenders each contribute a premium of between 0.5 and 2.0% of a loan to a reserve fund, and DHCD matches the amount of the premium. CAP is not a direct loan program; it leverages private funds at an average rate of 40 to 1.

Chapter 209 of 2004 authorized DHCD to sell, assign, or otherwise dispose of up to \$4.0 million annually of the NBDP portfolio. The sale proceeds must be applied to the NBDP fund, and DHCD must make a reasonable good faith effort to commit 25% of the loans and grants to microenterprises. The legislation enabling the portfolio sales became effective October 2004. No sale has yet occurred, but DHCD reports that it is actively pursuing one.

Program Performance Analysis: In fiscal 2005, NBDP provided financing of \$5.6 million to 19 small businesses, a 75% increase over fiscal 2004. The program provided \$448,000 to 11 nonprofit organizations in fiscal 2005, a 9% increase over fiscal 2004. DHCD estimates that 452 new jobs were created and 307 jobs were retained in fiscal 2005 with NBDP funds.

In the fund data below, loan repayments and interest are expected to increase \$1.6 million from fiscal 2006 to 2007. DHCD reports that there have been more pre-payments than expected, and that the anticipated sale of \$1 million of the NBDP portfolio annually will enable more loan activity, with increased repayment volume beginning in fiscal 2007.

Fund Data

Fund History

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$4,175,595 | \$1,845,349 | \$289,066 |
| REVENUE | | | |
| General Funds | 0 | 0 | 0 |
| GO Bonds | 0 | 0 | 0 |
| Transfer from Other Funds | 0 | 0 | 0 |
| Canceled Encumbrances | 10,691 | 408,000 | 408,000 |
| Loan Repayments and Interest | 4,950,028 | 4,935,717 | 6,509,159 |
| TOTAL REVENUE | 4,960,719 | 5,343,717 | 6,917,159 |
| TOTAL AVAILABLE | 9,136,314 | 7,189,066 | 7,206,225 |
| ENCUMBRANCES | | | |
| Loans | 6,091,000 | 6,000,000 | 6,000,000 |
| Operating Expenses | 1,199,965 | 900,000 | 1,200,000 |
| TOTAL ENCUMBRANCES | 7,290,965 | 6,900,000 | 7,200,000 |
| Ending Balance | \$1,845,349 | \$289,066 | \$6,225 |

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO SF | \$6.091 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 |
| Total | \$6.091 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 |

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Applications for loan funds are received continually and are funded on a first-come, first-served basis. Grants are awarded annually on a competitive basis.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|--|------------------------|----------------------|
| Caribbean Kitchen | Baltimore City | \$80,000 |
| Pazza Luna | Baltimore City | 250,000 |
| Timothy Dean Bistro | Baltimore City | 500,000 |
| I Can't We Can, Inc. | Baltimore City | 35,000 |
| Falls Hotel | Cecil | 300,000 |
| Brandywine LLC | Frederick | 250,000 |
| Gallery 1115 | Montgomery | 250,000 |
| Bales Ventures | Prince George's | 85,000 |
| Bay District Volunteer Fire Dept.* | St. Mary's | 2,273,551 |
| Capital Access Program | Various | 22,228 |
| Total – Grants and Loans | | \$4,045,779 |
| Capital Access Program | | |
| Various | | \$22,228 |
| Total – Capital Access | | \$22,228 |
| Applications Received and Being Processed | | \$1,078,181 |

* Split with fiscal 2004

Community Development Block Grant Program (Statewide)

PAYGO FF

\$10,000,000

Recommendation: Approve

Program Description: The federal Community Development Block Grant (CDBG) program provides competitive grants to local governments in non-entitlement areas of the State to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services. Entitlement areas receive a direct allocation of CDBG funds from the U.S. Department of Housing and Urban Development (HUD) and are not eligible for the State program. The State's entitlement areas include Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's counties and the cities of Annapolis, Baltimore, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury.

Program Performance Analysis: HUD requires that at least 70% of the funds benefit low- and moderate-income individuals. States can choose whether to meet this requirement in a one- or three-year period. Maryland chose a three-year period, with fiscal 2003 to 2005 being the most recent time frame, and 72% funds benefited low- and moderate-income individuals.

In fiscal 2005, the CDBG program approved 23 multi-year projects, primarily in rural areas. DHCD estimates that the projects will improve housing for 123 individuals; improve sewer and water systems, streets, and parking for 17,587 individuals; improve or construct community and drug rehabilitation centers for 19,678 individuals; and improve homeless management information systems for 5,801 individuals.

Fund Data**Fund History**

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|---------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$0 | \$0 | \$0 |
| REVENUE | | | |
| Federal Funds | 12,163,868 | 10,430,000 | 10,430,000 |
| TOTAL REVENUE | 12,163,868 | 10,430,000 | 10,430,000 |
| TOTAL AVAILABLE | 12,163,868 | 10,430,000 | 10,430,000 |
| ENCUMBRANCES | | | |
| Loans and Grants | 11,676,461 | 10,000,000 | 10,000,000 |
| Federal Administrative Expenses | 487,407 | 430,000 | 430,000 |
| TOTAL ENCUMBRANCES | 12,163,868 | 10,430,000 | 10,430,000 |
| Ending Balance | \$0 | \$0 | \$0 |

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO FF | \$10.000 | \$10.000 | \$10.000 | \$9.000 | \$9.000 | \$9.000 | \$9.000 |
| Total | \$10.000 | \$10.000 | \$10.000 | \$9.000 | \$9.000 | \$9.000 | \$9.000 |

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Applications from non-entitlement local governments will be due in spring 2006, and awards will be made after July 1, 2006.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|--|------------------------|----------------------|
| City of Frostburg | Allegany | \$800,000 |
| County Commissioner of Allegany Co | Allegany | 172,000 |
| Town of Denton | Caroline | 800,000 |
| Town of Federalsburg | Caroline | 500,000 |
| County Commissioner of Carroll Co | Carroll | 438,433 |
| Town of Elkton | Cecil | 120,000 |
| Town of Port Deposit | Cecil | 300,000 |
| County Commissioner of Charles Co | Charles | 221,250 |
| Town of Hurlock | Dorchester | 150,000 |
| County Council of Dorchester Co | Dorchester | 255,000 |
| County Commissioner of Kent Co | Kent | 305,275 |
| County Commissioner of Kent Co | Kent | 252,000 |
| County Commissioner of Queen Anne's County | Queen Anne's | 800,000 |
| County Commissioner of Somerset Co | Somerset | 220,000 |
| County Commissioner of Wicomico Co | Wicomico | 375,000 |
| Town of Sharpton | Wicomico | 130,000 |
| Town of Berlin | Worcester | 183,750 |
| City of Pocomoke | Worcester | 256,000 |
| Subtotal – Encumbered | | \$6,278,708 |
| Reserved – Not Yet Encumbered | | 1,256,107 |
| Grand Total | | \$7,534,815 |

Rental Housing Programs (Statewide)

| | | | |
|-----------------|---------------------|------------------------|----------------|
| PAYGO GF | \$10,000,000 | Recommendation: | Approve |
| PAYGO SF | \$5,542,000 | | |
| PAYGO FF | \$5,300,000 | | |

Program Description: Five programs are funded through the Rental Housing Programs: (1) Rental Housing Production Program; (2) Elderly Rental Housing Program; (3) Maryland Housing Rehabilitation Program-Multi-family; (4) Nonprofit Rehabilitation Program; and (5) Office and Commercial Space Conversion Program. The program provides low-interest or deferred payment loans for rental housing developments targeting very low-income households. In general, projects serve families with incomes below 60% of the area median, with priority given to projects serving families with incomes below 30% of the area median. The maximum loan amount generally is \$1.5 million per project, with an interest rate as low as 4% for as many as 40 years.

Fund Data**Fund History**

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$2,698,413 | \$4,185,637 | \$0 |
| REVENUE | | | |
| GO Bonds | 7,409,000 | 5,395,000 | 7,458,000 |
| Federal Funds | 4,555,042 | 6,435,000 | 5,830,000 |
| Transfer from Other Funds | 0 | 436,874 | 0 |
| Canceled Encumbrances | 0 | 47,872 | 47,872 |
| Loan Repayments and Interest | 9,207,624 | 7,934,617 | 8,094,128 |
| TOTAL REVENUE | 21,171,666 | 20,249,363 | 21,430,000 |
| TOTAL AVAILABLE | 23,870,079 | 24,435,000 | 21,430,000 |
| ENCUMBRANCES | | | |
| Loans | 17,500,000 | 20,850,000 | 18,300,000 |
| State Operating Expenses | 1,973,400 | 3,000,000 | 2,600,000 |
| Federal Operating Expenses | 211,042 | 585,000 | 530,000 |
| TOTAL ENCUMBRANCES | 19,684,442 | 24,435,000 | 21,430,000 |
| Ending Balance | \$4,185,637 | \$0 | \$0 |

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO GF | \$0.000 | \$0.000 | \$10.000 | \$6.150 | \$6.050 | \$5.900 | \$7.000 |
| GO Bonds | 7.409 | 5.395 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| PAYGO SF | 4.247 | 7.605 | 5.542 | 5.850 | 5.950 | 6.100 | 6.000 |
| PAYGO FF | 5.544 | 5.850 | 5.300 | 5.300 | 5.300 | 5.300 | 5.300 |
| Total | \$17.200 | \$18.850 | \$20.842 | \$17.300 | \$17.300 | \$17.300 | \$18.300 |

Issues

1. Rental Housing Production Has Varied in Recent Years

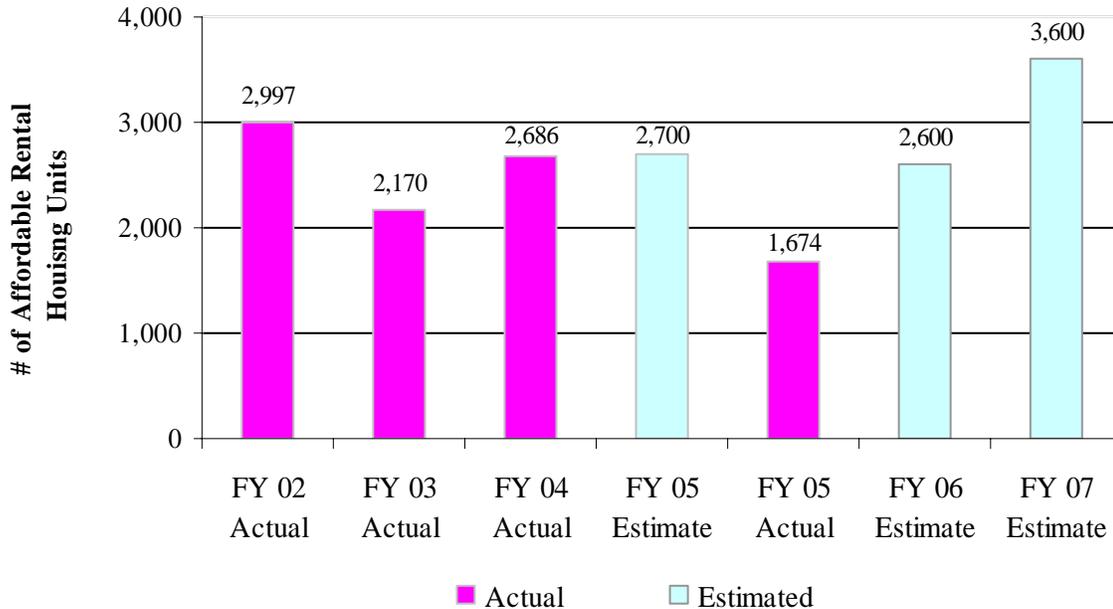
The Department of Housing and Community Development (DHCD) reports that it produces about 2,709 units of rental housing annually. Based on this number, the agency has plans to address up to 40% of the State’s projected shortage of affordable rental housing with its existing resources, as is discussed in Issue 2 of the PAYGO overview. In fact, the agency’s rental housing production has been variable in recent years, as shown in **Exhibit 6**. Note that programs besides the Rental Housing Programs contribute to DHCD’s overall rental housing production.

The exhibit shows projects going to initial closing. The initial closing status means that 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. The number of units in initial closing was uneven from fiscal 2002 to 2005, with an overall 44% decrease during this time.

DHCD reports that several projects did not materialize as expected, and there is an 8-month interval between competitions for State loan funds so it can be difficult to make up for lost projects in a particular year. Furthermore, projects that received funds in the May 2004 round were included in fiscal 2005 projections but did not end up closing until the first half of 2006.

The Department of Legislative Services recommends that DHCD comment on how recent variation in rental housing production will affect its plans to address 40% of the State’s affordable rental housing shortage.

**Exhibit 6
Affordable Rental Housing Units Going to Initial Closing
Fiscal 2002 – 2007**



Note: Initial closing status means that 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.

Source: Maryland State Budget Books

Recommended Actions

1. Concur with Governor’s allowance.

Fiscal 2007 Proposed Projects

DHCD will have one round of competitive funding in fiscal 2007. Since it takes approximately one year from the application date to get loan commitments, fiscal 2007 funds will be committed to May 2006 projects. The January 2007 round likely will be funded with federal HOME funds.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|--|------------------------|----------------------|
| Affordable Rental Housing – State Funds | | |
| Ft. Washington | Prince George's | \$400,000 (a) |
| Subtotal Encumbered – Affordable Rental Housing | | \$400,000 |
| (a) Split with fiscal 2005 | | |
| Reserved but Not Yet Encumbered | | |
| Cove Point II | Baltimore | \$1,500,000 |
| Cummins Apartments | Baltimore | 1,500,000 |
| Weinberg Village IV | Baltimore | 538,445 |
| Collington Commons | Baltimore City | 1,500,000 |
| New Shiloh Village Senior Living | Baltimore City | 699,903 |
| Park View at Ashland Terrace | Baltimore City | 996,779 |
| Serenity Place | Baltimore City | 900,000 |
| Village View | Garrett | 1,496,143 |
| North Post Commons | Harford | 1,500,000 |
| Alden-Berkley Townhomes | Prince George's | 750,000 |
| Newton Green | Prince George's | 1,038,730 |
| Renaissance Square Artists' Housing | Prince George's | 50,000 |
| Grand Total – Affordable Rental Housing | | \$12,470,000 |
| HOME – Encumbered | | |
| Maple Heights | Cecil | \$1,457,500 |
| Parkside Village | Dorchester | 1,284,206 |
| Subtotal – HOME Encumbered | | \$2,741,706 |
| HOME – Reserved but Not Yet Encumbered | | |
| Conifer Village at Cambridge | Dorchester | \$1,285,178 |
| Lodges at Naylor Mill | Wicomico | 1,359,000 |
| Westbrook Apartment Homes | Wicomico | 1,457,500 |
| Subtotal – HOME Reserved | | \$4,101,678 |
| HOME Initiatives - Encumbered | | |
| Sarah's Choice | Carroll | \$100,000 |
| Security Deposit Initiative | Regional | 50,000 |
| Self Help Downpayment Initiative | Statewide | 100,000 |
| Subtotal – HOME Initiatives Encumbered | | \$250,000 |
| Grand Total HOME – Encumbered/Reserved | | \$7,093,384 |

Homeownership Programs (Statewide)

| | | | |
|-----------------|--------------------|------------------------|----------------|
| PAYGO GF | \$1,555,000 | Recommendation: | Approve |
| PAYGO SF | \$5,945,000 | | |
| PAYGO FF | \$100,000 | | |

Program Description: The Homeownership Programs provide below-market interest rate mortgage loans with minimum down payments to low- and moderate-income first-time homebuyers. Two programs comprise the Homeownership Programs: (1) the Maryland Home Financing Program (MHFP) makes direct loans to very low-income households for home purchases; and (2) the Downpayment and Settlement Expense Loan Program (DSELP) assists limited-income families in meeting settlement closing costs associated with home purchases. The maximum loan amounts are \$5,000 for DSELP and up to the appraised value of the property for the MHFP. The loans may be offered at as low as 0% for a term not to exceed 40 years.

Fund Data**Fund History**

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$3,441,943 | \$4,558,696 | \$0 |
| REVENUE | | | |
| General Funds | 0 | 0 | 1,555,000 |
| GO Bonds | 2,989,000 | 1,205,000 | 0 |
| Federal Funds | 96,655 | 196,655 | 196,655 |
| Transfer from Other Funds | 3,800,000 | 1,466,830 | 0 |
| Loan Repayments and Interest | 7,923,305 | 5,835,221 | 6,930,562 |
| Canceled Encumbrances | 775,139 | 734,253 | 734,253 |
| TOTAL REVENUE | 15,584,099 | 9,437,959 | 9,416,470 |
| TOTAL AVAILABLE | 19,026,042 | 13,996,655 | 9,416,470 |
| ENCUMBRANCES | | | |
| Loans | 12,496,253 | 11,600,000 | 7,600,000 |
| State Operating Expenses | 1,874,438 | 2,300,000 | 1,500,000 |
| Federal Operating Expenses | 96,655 | 96,655 | 96,655 |
| TOTAL ENCUMBRANCES | 14,467,346 | 13,996,655 | 9,196,655 |
| Ending Balance | \$4,558,696 | \$0 | \$219,815 |

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO GF | \$0.000 | \$0.000 | \$1.555 | \$1.500 | \$0.900 | \$0.700 | \$0.650 |
| GO Bonds | 2.989 | 1.205 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| PAYGO SF | 4.511 | 6.295 | 5.945 | 6.000 | 6.600 | 6.800 | 6.850 |
| PAYGO FF | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 |
| Total | \$7.600 | \$7.600 | \$7.600 | \$7.600 | \$7.600 | \$7.600 | \$7.600 |

Issues

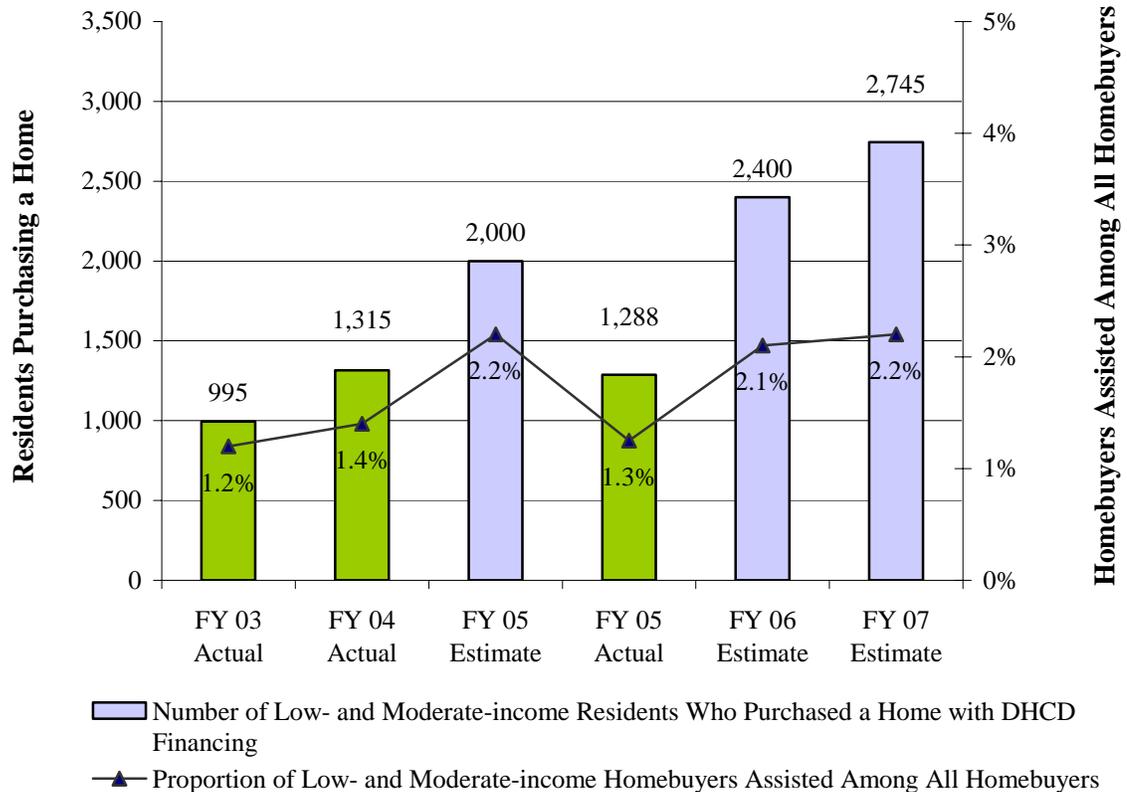
1. Homeownership Progress Struggles Under Market Conditions

The Department of Housing and Community Development (DHCD) reports that it provides assistance to about 1,716 low- and moderate-income homebuying residents annually. Since increased homeownership frees up rental units, the agency expects that enhancements to its homeownership programs will help address up to 40% of the State’s projected shortage of affordable rental housing, as is discussed in Issue 2 of the PAYGO overview.

In fact, the agency has assisted about 1,300 residents annually in fiscal 2004 and 2005, as shown in **Exhibit 7**. The proportion of low- and moderate-income homebuyers receiving DHCD financing among all homebuyers (regardless of financing source) followed a similar pattern. Note that programs besides the Homeownership Programs contribute to DHCD’s overall homeownership efforts.

DHCD reports that the recent dramatic rise in the number of homes sold in Maryland combined with a decline in the inventory of available homes led to steep home price increases. The mortgages that DHCD offers through its Community Development Administration (CDA) program were at a disadvantage in improving homeownership in these market conditions. One challenge was that, until December 2004, CDA mortgages were insured only by governmental agencies, primarily the Federal Housing Administration, and the maximum loan amount allowed remained relatively static. Now, seven private companies also are providing insurance, with more flexible terms, for the mortgages in DHCD’s Maryland Mortgage Program. Furthermore, market interest rates remained low in fiscal 2005, meaning CDA mortgages did not have much of an advantage over conventional mortgages. The agency anticipates that its new mortgage products will improve its homeownership results in fiscal 2006 and beyond.

**Exhibit 7
Low- and Moderate-income Homeownership Assistance
Fiscal 2003 – 2007**



Notes: Data on low- and moderate-income residents include only those receiving financial, not technical, assistance from DHCD.

Data on homebuyers assisted among all homebuyers reflects the number of low- and moderate-income homebuyers receiving DHCD financing divided by the total number of homebuyers regardless of the financing source.

Source: Maryland State Budget Books

The Department of Legislative Services recommends that DHCD comment on how lower than expected assistance to homebuyers in recent years will affect its plans to address 40% of the State’s affordable rental housing shortage.

Recommended Actions

1. Concur with Governor's Allowance.

Fiscal 2007 Proposed Projects

MHFP loans for disabled borrowers are expected to be \$2.5 million in fiscal 2007, and other MHFP activity is expected to be \$2 million. DSELP loan activity is expected to be \$3 million.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|--|------------------------|----------------------|
| MHFP | | |
| 1 Individual Loan | Anne Arundel | \$92,500 |
| 4 Individual Loans | Baltimore | 325,743 |
| 9 Individual Loans | Baltimore City | 419,700 |
| 2 Individual Loans | Dorchester | 119,057 |
| 1 Individual Loan | Prince George's | 120,000 |
| Subtotal Encumbered | | \$1,077,000 |
| Disabled Borrowers | | 0 |
| Hurricane Isabel | | |
| 3 Individual Loans | Baltimore | 38,488 |
| 1 Individual Loan | Dorchester | 10,160 |
| 2 Individual Loans | St. Mary's | 25,456 |
| Subtotal Encumbered – Hurricane Isabel* | | \$74,104 |
| * Includes \$27,290 in Buydown grants | | |
| Baltimore | REMP Individual Loan | 4,200 |
| Subtotal Encumbered – MHFP | | \$1,155,304 |
| Downpayment Settlement Expense Loan Program (DSELP) | | |
| Individual Loan(s) | Allegany | 77,850 |
| Individual Loan(s) | Anne Arundel | 13,050 |
| Individual Loan(s) | Baltimore | 99,337 |

SA00 – Department of Housing and Community Development – PAYGO

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|---|-----------------|--------------------|
| Individual Loan(s) | Baltimore City | 635,999 |
| 1 Individual Loan | Calvert | 2,900 |
| 1 Individual Loan | Carroll | 4,000 |
| 1 Individual Loan | Cecil | 10,000 |
| Individual Loan(s) | Harford | 87,900 |
| 1 Individual Loan | Howard | 5,000 |
| 1 Individual Loan | Montgomery | 5,000 |
| Individual Loan(s) | Prince George's | 61,464 |
| 1 Individual Loan | Talbot | 7,500 |
| Individual Loan(s) | Washington | 37,400 |
| Individual Loan(s) | Wicomico | 14,100 |
| Subtotal Encumbered – DSELP | | \$1,061,500 |
| Total Encumbered | | \$2,216,804 |
| Reserved but Not Yet Encumbered | | |
| MHFP | Statewide | 72,000 |
| Disabled Borrowers | Statewide | 469,050 |
| DSELP | Statewide | 513,476 |
| Hurricane Isabel | | |
| 3 Individual Loans | Baltimore | 204,933 |
| 1 Individual Loan | Calvert | 100,000 |
| 5 Individual Loans | Dorchester | 360,061 |
| 1 Individual Loan | Prince George's | 28,386 |
| Subtotal Encumbered – Hurricane Isabel | | \$693,380 |
| Total Program Activity | | \$3,964,710 |

Special Loan Programs (Statewide)

| | | | |
|-----------------|--------------------|------------------------|----------------|
| PAYGO GF | \$2,187,000 | Recommendation: | Approve |
| PAYGO SF | \$5,813,000 | | |
| PAYGO FF | \$2,034,000 | | |

Program Description: Programs under the Special Loan Programs include the Maryland Housing Rehabilitation Program (MHRP), Indoor Plumbing Program (IPP), Lead Hazard Reduction Program (LHRP), and Group Home Financing (GHF). The programs provide preferred interest rate loans and grants to families of low- and moderate-income; to sponsors whose small rental properties are leased substantially by limited-income families; and to nonprofit sponsors of housing facilities. In general, the funds can be used to construct or rehabilitate single-family homes and multi-family housing with four or fewer units, or to acquire properties for use as group homes or shelters.

Program Performance Analysis: The number of units assisted by Special Loans programs is shown in **Exhibit 8**. Overall, the number of units assisted increased 13% from fiscal 2002 to 2005. The Lead Hazard Reduction Program increased more than 150%, while the other three programs decreased between 29% and 40%.

The Department of Housing and Community Development expects to allocate fiscal 2007 Special Loans funds among the programs as follows: 40% for MHRP, 33% for GHF, 25% for LHRP, and 2% for IPP. Note that MHRP funds some plumbing projects as part of larger renovations, while IPP is dedicated only to plumbing projects.

Exhibit 8 **Units Assisted by Special Loans Programs** **Fiscal 2002 – 2007**

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>Est.</u> <u>FY 2006</u> | <u>Est.</u> <u>FY 2007</u> | <u>%</u> <u>Change</u> <u>FY 02-05</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---|---|---|
| Maryland Housing Rehabilitation Program | 110 | 53 | 56 | 74 | 65 | 65 | -32.73% |
| Indoor Plumbing Program | 5 | 6 | 8 | 3 | 6 | 6 | -40.00% |
| Lead Hazard Reduction Program | 59 | 33 | 184 | 150 | 133 | 130 | 154.24% |
| Group Home Financing Program | 72 | 43 | 57 | 51 | 45 | 45 | -29.17% |
| Total Units Assisted | 246 | 135 | 305 | 278 | 249 | 246 | 13.01% |

Source: Department of Housing and Community Development

Fund Data**Fund History**

| | <i>FY 2005 Actual</i> | <i>FY 2006 Estimated</i> | <i>FY 2007 Estimated</i> |
|------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$5,543,400 | \$2,794,170 | \$593,552 |
| REVENUE | | | |
| General Funds | 0 | 0 | 2,187,000 |
| GO Bonds | 0 | 2,750,000 | 0 |
| Federal Funds | 3,251,718 | 2,580,000 | 2,277,400 |
| Transfer from Other Funds | 0 | -1,903,704 | 0 |
| Loan Repayments and Interest | 7,636,713 | 6,468,198 | 6,734,560 |
| Canceled Encumbrances | 156,971 | 84,888 | 84,888 |
| TOTAL REVENUE | 11,045,402 | 9,979,382 | 11,283,848 |
| TOTAL AVAILABLE | 16,588,802 | 12,773,552 | 11,877,400 |
| ENCUMBRANCES | | | |
| Loans | 12,268,035 | 10,300,000 | 10,034,000 |
| State Operating Expenses | 1,375,163 | 1,600,000 | 1,600,000 |
| Federal Operating Expenses | 151,434 | 280,000 | 243,400 |
| TOTAL ENCUMBRANCES | 13,794,632 | 12,180,000 | 11,877,400 |
| Ending Balance | \$2,794,170 | \$593,552 | \$0 |

SA00 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO GF | \$0.000 | \$0.000 | \$2.187 | \$1.150 | \$0.900 | \$0.700 | \$1.700 |
| GO Bonds | 0.000 | 2.750 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| PAYGO SF | 7.350 | 5.250 | 5.813 | 5.850 | 6.100 | 6.300 | 6.300 |
| PAYGO FF | 1.200 | 2.300 | 2.034 | 1.450 | 1.450 | 1.450 | 1.450 |
| Total | \$8.550 | \$10.300 | \$10.034 | \$8.450 | \$8.450 | \$8.450 | \$9.450 |

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Projects receiving Special Loan Program funds are funded on a first-come, first-served basis. The Department of Housing and Community Development does not provide forward reservations for individual projects, and there is no established rating or ranking criteria for selecting projects.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|--|------------------------|----------------------|
| State-funded Projects | | |
| | Anne Arundel | \$525,629 |
| | Allegany | 11,795 |
| | Baltimore | 16,005 |
| | Baltimore City | 208,074 |
| | Caroline | 104,896 |
| | Carroll | 85,125 |
| | Frederick | 38,201 |
| | Howard | 171,149 |
| | Prince George's | 268,291 |
| | Talbot | 43,444 |
| | Wicomico | 61,754 |
| | Worcester | 66,924 |
| Total – Reserved but Not Yet Encumbered | | \$909,828 |
| Hurricane Isabel – State Funds | | |
| | Baltimore | \$39,430 |
| | Cecil | 11,166 |
| | Dorchester | 7,890 |
| Total | | \$58,486 |
| Hurricane Isabel – HOME Program | Calvert | \$84,491 |
| Federal Funds – HOME Program | | |
| | Allegany | 78,139 |
| | Caroline | 427,583 |
| | Cecil | 25,864 |
| | Charles | 289,228 |
| | Dorchester | 74,088 |
| | Frederick | 115,115 |
| | Harford | 102,217 |
| | Prince George's | 23,342 |
| | Queen Anne's | 13,367 |
| | Somerset | 114,085 |
| | Talbot | 168,960 |
| | Washington | 388,454 |
| | Wicomico | 73,183 |
| | Worcester | 36,755 |
| Total | | \$1,930,380 |

SA00 – Department of Housing and Community Development – PAYGO

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|-----------------------------------|------------------------|----------------------|
| Federal Funds – Lead Paint | Anne Arundel | \$30,956 |
| | Allegany | 635,684 |
| | Baltimore City | 71,674 |
| | Caroline | 35,257 |
| | Carroll | 24,395 |
| | Frederick | 227,734 |
| | Montgomery | 206,560 |
| | Talbot | 11,950 |
| | Washington | 161,117 |
| | Wicomico | 161,305 |
| | Worcester | 46,598 |
| Total | | \$1,613,230 |

Partnership Rental Housing Program (Statewide)

PAYGO GF **\$6,000,000** **Recommendation: Approve**

Program Description: The Partnership Rental Housing Program provides deferred payment loans to local governments for rental housing construction and rehabilitation. Local governments provide the finished site including infrastructure. Loan repayment is not required as long as the local government or housing authority owns the housing and rents it to families with incomes at 50% of the State’s median income or less. The loan amount generally is limited to \$75,000 per housing unit.

Program Performance Analysis: The Department of Housing and Community Development reports that the Partnership Rental Housing Program produced 135 workforce/affordable housing units in fiscal 2005. The pipeline of future requests currently totals \$4.5 million.

Fund Data

Fund History

Prior Program Activity – All Fund Sources

| | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> | <i>FY 2005</i> | <i>FY 2006*</i> |
|---------------------|----------------|----------------|----------------|----------------|-----------------|
| Encumbrances | \$24,812,065 | \$12,411,763 | \$6,752,895 | \$13,682,961 | \$0 |
| Expenditures | \$9,641,970 | \$17,811,775 | \$10,430,261 | \$11,593,448 | \$0 |

*As of June 2005

Authorization Summary (\$ in Millions)

| Fiscal Year | <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 | \$132.558 | \$132.539 | \$131.561 | \$0.019 | \$0.997 |
| 2002 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2003 | 8.000 | 8.000 | 5.179 | 0.000 | 2.821 |
| 2004 | 10.000 | 9.905 | 5.626 | 0.095 | 4.374 |
| 2005 | 6.000 | 6.000 | 0.007 | 0.000 | 5.993 |
| 2006 | 6.000 | 0.000 | 0.000 | 6.000 | 6.000 |
| Total | \$162.558 | \$156.445 | \$142.373 | \$6.113 | \$20.185 |

(\$ in Millions)

| <i>Description</i> | <i>2005 Approp.</i> | <i>2006 Approp.</i> | <i>2007 Request</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> | <i>2010 Estimate</i> | <i>2011 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO GF | \$0.000 | \$0.000 | \$6.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| GO Bonds | 6.000 | 6.000 | 0.000 | 6.000 | 6.000 | 6.000 | 7.000 |
| Total | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$6.000 | \$7.000 |

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2007 Proposed Projects

Applications are received continuously, and funding decisions are made within 90 to 120 days on a first-come, first-served basis.

Fiscal 2006 Project Status

| <u>Project</u> | <u>Location</u> | <u>Status</u> |
|---|------------------------|----------------------|
| Encumbered | | \$0 |
| Reserved but Not Yet Encumbered | | |
| Freedom Village/Claremont Homes Phase I | Baltimore City | \$3,000,000 |
| Foxtown Apartments | Queen Anne's | 3,400,000 |
| Subtotal | | \$6,400,000 |
| Applications Received | | 0 |
| Grand Total | | \$6,400,000 |

**Fiscal Summary
Department of Housing and Community Development**

| <u>Program/Unit</u> | <u>FY05 Actual</u> | <u>FY06 Wrk Approp</u> | <u>FY07 Allowance</u> | <u>Change</u> | <u>FY06 - FY07 % Change</u> |
|---|------------------------|----------------------------|---------------------------|----------------------|---------------------------------|
| 06 Historical Preservation - Capital Appropriation | \$ 200,000 | \$ 0 | \$ 0 | \$ 0 | 0% |
| 07 Heritage Reserve Fund | 0 | 0 | 0 | 0 | 0% |
| 02 Neighborhood Business Development – Capital Appropriation | 17,767,797 | 16,000,000 | 24,000,000 | 8,000,000 | 50.0% |
| 07 Rental Housing Programs - Capital Appropriation | 10,077,005 | 13,455,000 | 20,842,000 | 7,387,000 | 54.9% |
| 08 Homeownership Programs - Capital Appropriation | 9,507,253 | 6,395,000 | 7,600,000 | 1,205,000 | 18.8% |
| 09 Special Loan Programs - Capital Appropriation | 14,467,974 | 7,550,000 | 10,034,000 | 2,484,000 | 32.9% |
| 10 Heritage Reserve Fund | 0 | 0 | 6,000,000 | 6,000,000 | |
| Total Expenditures | \$ 52,020,029 | \$ 43,400,000 | \$ 68,476,000 | \$ 25,076,000 | 57.8% |
| General Fund | \$ 0 | \$ 0 | \$ 27,742,000 | \$ 27,742,000 | N/A |
| Special Fund | 30,713,004 | 25,150,000 | 23,300,000 | -1,850,000 | -7.4% |
| Federal Fund | 21,307,025 | 18,250,000 | 17,434,000 | -816,000 | -4.5% |
| Total Appropriations | \$ 52,020,029 | \$ 43,400,000 | \$ 68,476,000 | \$ 25,076,000 | 57.8% |

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.