

S00A2306

Department of Housing and Community Development – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

	<i>FY 2006 Approp.</i>	<i>FY 2007 Approp.</i>	<i>FY 2008 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Homeownership Programs	\$6,395	\$15,600	\$7,600	-51.3%	\$7,600
Rental Housing Programs	13,455	26,237	16,750	-36.2%	16,750
Special Loan Programs	7,550	10,034	8,000	-20.3%	8,000
Community Legacy Program	0	13,895	8,000	-42.4%	5,000
Neighborhood Business Development Program	6,000	6,000	6,000	0.0%	4,000
Community Development Block Grant Program	10,000	10,000	10,000	0.0%	10,000
Partnership Rental Housing Programs*	0	6,000	2,000	-66.7%	2,000
Total	\$43,400	\$87,766	\$58,350	-33.5%	\$53,350

Fund Source					
General	0	39,032	11,758	-69.9%	6,758
Special	25,150	31,300	30,242	-3.4%	30,242
Federal	18,250	17,434	16,350	-6.2%	16,350
PAYGO Subtotal	43,400	87,766	58,350	-33.5%	53,350
GO Bonds	12,351	0	6,000	600%	7,000
Total	\$55,751	\$87,766	\$64,350	-26.7%	\$60,350

Note: Total capital appropriations for DHCD programs supported with combined PAYGO and general obligation (GO) bond funds total \$55.7 million for fiscal 2006 after the impact of deauthorizations included in the fiscal 2006 Maryland Consolidated Capital Bond Loan (MCCBL). This includes \$1,205,000 for Homeownership, \$2,750,000 for Special Loans, \$2,395,700 for Community Legacy, and \$6,000,000 for Partnership Rental Housing. The fiscal 2007 general fund appropriation level was increased through the reallocation of general funds budgeted in the Board of Public Works and the Department of Business and Economic Development provided to partially offset the impact of the deauthorization of GO funds included in the MCCBL. In total, an additional \$11,289,833 in reallocated general funds were provided in the fiscal 2007 operating budget to offset the deauthorizations.

*Fiscal 2008 allowance does not include an additional \$6.0 million of GO bond funds.

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

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Summary of Issues

Federal Funds for Capital Programs Are Decreasing to Pre-2006 Levels: Federal funds for the Department of Housing and Community Development (DHCD) capital budget are declining. Fiscal 2006 was a high point in federal funds for capital programs, and now the funds are returning closer to historic levels, the agency reports. **DHCD should brief the committees on the federal fund outlook for its capital programs.**

Budget Amendments Have Significantly Changed Spending Amounts: Like many State agencies, DHCD often adds to its budget throughout the year by using the budget amendment process. From fiscal 2003 to 2006, the agency increased its budget by an average of 20% through amendments, which are not subject to the same scrutiny as the regular budget and deficiency appropriations. **DHCD should comment on steps taken to improve revenue projections so that budget amendments may be avoided to the extent possible.**

So Far, Progress in Closing the Affordable Rental Housing Gap Is Slow: Maryland's shortage of affordable and available workforce rental housing units is projected to be about 125,000 units by 2014. By devising new ways to use existing funds, DHCD estimated in 2004 that it could increase its coverage of the shortfall from 28 to 40%. However, total rental housing production has not been above historic levels. **DHCD should comment on whether it still intends to cover 40% of the affordable rental housing shortage by 2014.**

Emphasis on Homeownership Diverts Funds from Rental Housing and Rehabilitation Programs: The fiscal 2007 working appropriation for Homeownership Programs includes a \$12.1 million transfer into the program. The funds are to be transferred from the Rental Housing (\$6.7 million) and Special Loan programs (\$5.4 million). **The Department of Legislative Services (DLS) is concerned about transfers of this magnitude and recommends that language be added requesting that DHCD notify the budget committees of transfers it intends to make that exceed \$1 million. Also, DHCD should comment on the justification for the emphasis on Homeownership Programs, and whether diverting funds to Homeownership will cause a backlog in Rental Housing and Special Loans Programs.**

Summary of Recommended Actions

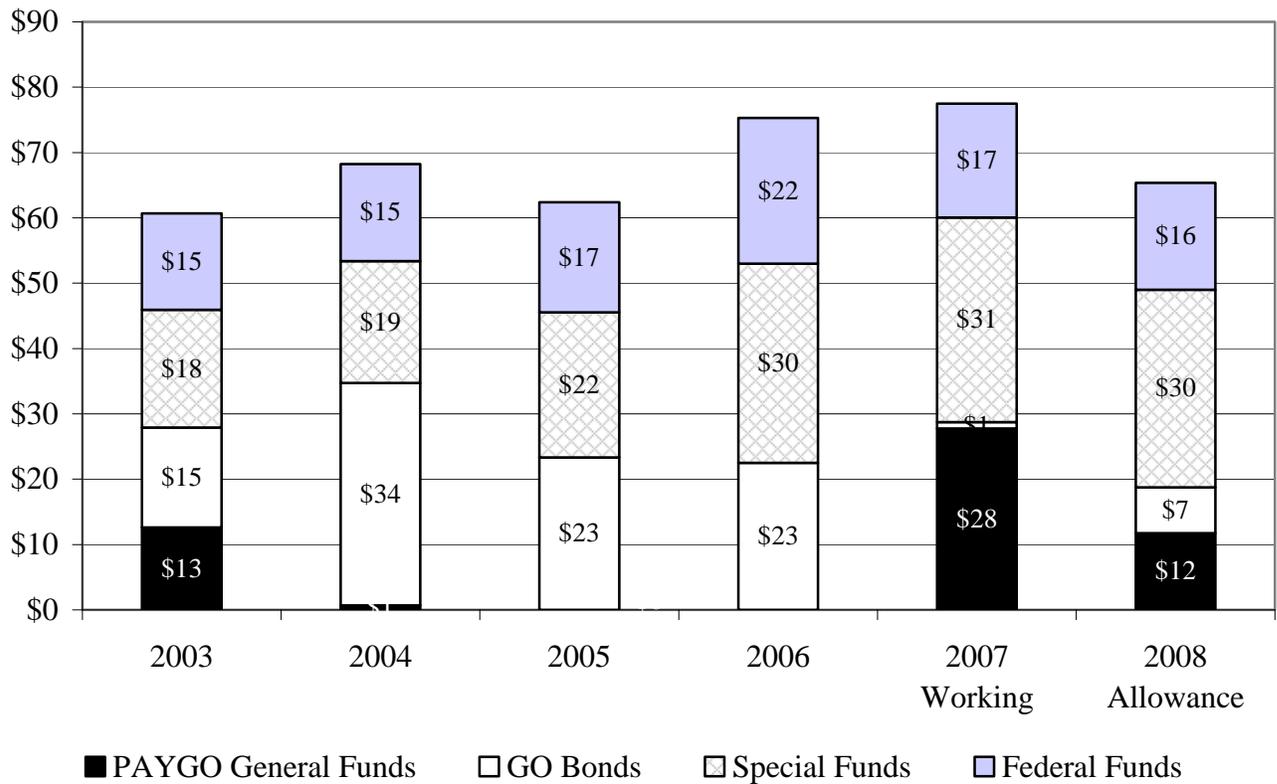
	<u>Funds</u>
1. Add language to transfer \$2 million from the Neighborhood Business Development Program to the Community Legacy Program.	
2. Add language that restricts fund transfers of more than \$1 million.	
3. Reduce funds for the Community Legacy Program.	\$5,000,000

Overview

Allowance Is Slightly Above the Anticipated Level but Below the Recent Average

Total funds for the DHCD fiscal 2008 capital allowance are \$65.4 million. This is a \$12.1 million (15.7%) decrease from the fiscal 2007 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 allowance is slightly above the \$63.4 million level programmed for fiscal 2008 in the 2007 *Capital Improvement Program*. However, it is slightly below the average funding from fiscal 2003 to 2006, which was \$66.6 million.

**Exhibit 1
DHCD Capital Budget Funding Mix
Fiscal 2003-2008
(\$ in Millions)**



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Working 2007</u>	<u>Allowance 2008</u>	<u>Change 07-08</u>	<u>% Change 07-08</u>
PAYGO General Funds	12.6	0.7	0.0	0.0	27.7	11.8	-16.0	-57.6%
GO Bonds	15.3	34.1	23.3	22.5	1.0	7.0	6.0	600.0%
Special Funds	18.0	18.6	22.2	30.5	31.3	30.2	-1.1	-3.4%
Federal Funds	14.8	14.9	16.8	22.3	17.4	16.4	-1.1	-6.2%
Total Funds	60.7	68.2	62.4	75.3	77.5	65.4	-12.1	-15.7%

Notes: The graph includes all DHCD capital funding, including programs solely funded with GO bonds. Fiscal 2005 includes \$3 million in special funds from the dedicated purpose account for the Hurricane Isabel Housing Rehabilitation and Renovation program. Funds for the Maryland Historical Trust totaling \$200,000 in fiscal 2005 and \$450,000 in fiscal 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 of 2005.

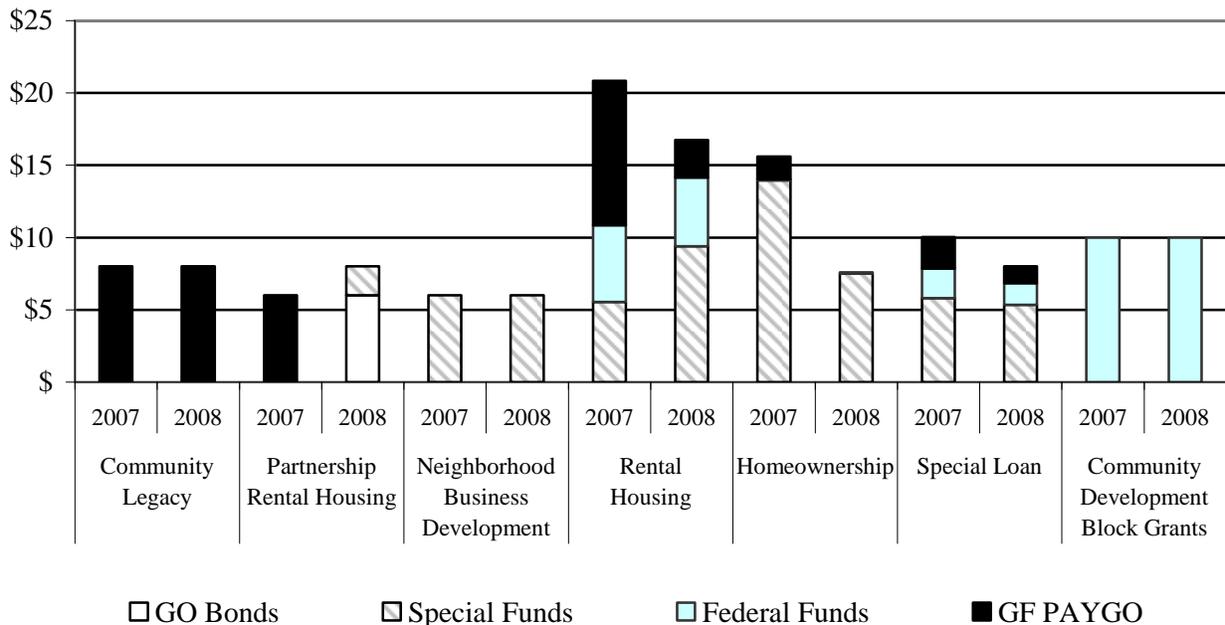
Source: Governor’s Budget Books, Fiscal 2008; Department of Budget and Management capital budget worksheets

The most dramatic changes in the allowance are a reduction of general funds from \$28 million in fiscal 2007 to \$12 million in 2008 and an increase in GO bonds from \$1 million to \$7 million. (Note that general fund appropriations actually are \$39 million in fiscal 2007 because additional funds were appropriated to address the effect of bond deauthorizations, as discussed in the footnote on page 1.) After three years with almost no general funds for capital, the 2007 budget included a significant general fund sum because fiscal constraints had loosened. Now, an impending deficit is affecting the State budget and general funds are in short supply.

Fund changes by program are shown in **Exhibit 2**. Special funds represent the largest fund source, providing the majority of funds for four of seven programs. DHCD reports that it considers special funds as a whole for the Rental Housing, Homeownership, and Special Loan Programs; even though one may bring in more special funds than the others, special funds are distributed among them according to DHCD’s projections of needs.

Federal funds are the second largest fund source, wholly supporting the Community Development Block Grant and partially supporting the Rental Housing and Special Loan Programs. Homeownership programs also receive a very small amount (\$100,000) of federal funds. General funds appear in the Community Legacy, Rental Housing, and Special Loan Programs in fiscal 2008. Community Legacy is the only program proposed to be fully funded with general funds.

Exhibit 2
DHCD Capital Budget Funds by Program
Comparison of Working Appropriation and Allowance
Fiscal 2007-2008
(\$ in Millions)



Source: Department of Budget and Management fiscal 2008 capital budget worksheets

Only the Partnership Rental Housing Program Is Set to Increase

Considering all funds by program, only Partnership Rental Housing sees an increase, rising from \$6 million in fiscal 2007 to \$8 million in 2008. This program is an important part of DHCD's plan to dramatically increase its rental housing production. The program was modified by Chapter 117 of 2006 to provide financing not only for local governments but for private sector developers if they agree to include a certain number of affordable rental units for disabled individuals in the project. The 2008 allowance includes \$2 million in special funds that represent revenues from a project in Howard County that was owned by the Howard County Housing Commission but was sold to the building's residents.

Neighborhood Business Development is level funded at \$6 million. (The Shelter and Transitional Housing program also is level funded at \$1 million, which is the historic amount. This program is not reflected in Exhibit 2 because it is funded solely with GO bonds.)

Homeownership programs decrease the most, dropping from \$15.6 million in fiscal 2007 to \$7.6 million in 2008. The fiscal 2007 level includes a budget amendment of \$8 million that was approved because loan prepayments and payoffs had greatly exceeded estimates; absent this amount, the 2008 allowance equals the 2007 appropriation. Rental Housing programs decline by \$4 million, and Special Loans decline by \$2 million.

Overview Issues

1. Federal Funds for Capital Programs Are Decreasing to Pre-2006 Levels

Considering the capital and operating budgets together, federal funds continue to rise in the DHCD budget. Even without a \$30 million operating contract that was not awarded as expected to manage additional Section 8 properties for the U.S. Department of Housing and Urban Development, federal funds are expected to be \$188 million in fiscal 2007, which is an increase over 2006.

However, federal funds specifically in the capital budget are declining, as shown in Exhibit 1. Fiscal 2006 was a high point in federal funds for capital programs. The fiscal 2007 working appropriation and 2008 allowance are returning closer to historic levels, the agency reports.

Federal funding by program may vary. Community Development Block Grant funds have held steady. However, the Rental Housing and Special Loan Programs have had declining federal fund amounts. Both of these programs are supported by the federal HOME grant. **DHCD should brief the committees on the federal fund outlook for its capital programs.**

2. Budget Amendments Have Significantly Changed Spending Amounts

DHCD often adds to its budget throughout the year by using the budget amendment process. **Exhibit 3** shows the agency’s legislative appropriations and actual expenditures from fiscal 2003 to 2006. During this time, DHCD increased its budget by an average of 20% through amendments.

There is a concern in significantly changing budgets through amendments because the amendments occur after the General Assembly’s budget deliberations. Amendments are processed during the legislative interim and so do not receive the same scrutiny that the budget bill and deficiency appropriations receive during the session. DHCD is not the only State agency that significantly changes its budget through amendments; in fact, the fiscal 2007 budget bill indicates that changes for all agencies should be handled as deficiencies to the extent possible.

After DHCD increased its budget by \$4.5 million in May 2006 for the Downpayment and Settlement Expense Loan Program and then increased it again by \$8 million six weeks later at the beginning of fiscal 2007, the budget committees expressed concern that DHCD was unaware of the magnitude of special fund revenue attainment during the 2006 legislative session. The committees requested that DHCD work on improving its projections. **DHCD should comment on steps taken to improve revenue projections so that budget amendments may be avoided to the extent possible.**

Exhibit 3
DHCD PAYGO Capital Program
Legislative Appropriation vs. Actual Expenditures
Fiscal 2003-2006
(\$ in Thousands)

	<u>Funds</u>	<u>Variance</u>	<u>% Change</u> <u>Appropriations to Actual</u>
2003 Legislative Appropriation	47,115		
2003 Actual Expenditures	54,001	\$6,886	14.6%
2004 Legislative Appropriation	33,899		
2004 Actual Expenditures	38,057	\$4,158	12.3%
2005 Legislative Appropriation	39,043		
2005 Actual Expenditures	51,820	\$12,777	32.7%
2006 Legislative Appropriation	43,400		
2006 Actual Expenditures	52,789	\$9,389	21.6%

Note: Historical and Cultural programs are not represented here; these programs were transferred to the Department of Planning in fiscal 2006. The Partnership Rental Housing Program did not receive PAYGO funds during fiscal 2003 to 2006. In fiscal 2005, \$3 million was allocated to DHCD in the Dedicated Purpose Account and \$8 million was authorized by the Hurricane Isabel Disaster Relief Act; these amounts had to be added via budget amendment.

Source: Governor’s Budget Books, Fiscal 2003-2007

3. So Far, Progress in Closing the Affordable Rental Housing Gap Is Slow

The need for affordable housing is expected to grow in the coming years. Maryland’s shortage of affordable and available workforce rental housing units is projected to be about 125,000 units by 2014. Most (two-thirds) of the shortage is expected to affect families.

Historically, DHCD has financed 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 would be reduced by 27,000 units from 2000 to 2014, leaving the shortage at an estimated 112,750 units. **Exhibit 4** shows the detail. DHCD notes that it cannot by itself address the shortfall. Partners from all levels of government and the private sector will be needed

By devising new ways to use existing funds it controls, DHCD estimated in 2004 that it could generate about 900 additional multi-family rental units annually. Enhancements in existing homeownership programs were expected to free up an additional 900 rental units. Exhibit 4 shows that, if the agency’s objectives are realized, DHCD would increase its coverage of the rental housing shortfall from 28 to 40% without additional State resources.

Exhibit 4
Addressing the Shortage in Affordable Rental Housing
Fiscal 2004-2014

	<u>Historic DHCD Production</u>	<u>DHCD Objective</u>	<u>Fiscal 2006</u>
Rental Housing Production	2,709	3,609	2,940
Homeownership Production*	1,716	2,616	1,277
Total Rental Housing Units Produced Annually	4,425	6,225	4,217
Shortage Over 10 Years (2004 to 2014)	157,000	157,000	157,000
Units Produced Over 10 Years	44,250	62,250	42,170
Percent of Shortage Covered	28%	40%	27%
Remaining Shortage at End of 10 Years	112,750	94,750	114,830

*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; Governor’s Budget Books, Fiscal 2008

So far, DHCD has not been able to increase its total rental housing production above historic levels. In fact, Exhibit 4 shows that the agency produced less than historic levels in fiscal 2006, particularly because of lagging homeownership production. Legislation passed in the 2006 session

may help increase rental housing production in the future. Specifically, Chapter 117 of 2006 modified the Partnership Rental Housing program to provide financing to not only local governments but to private developers if they include a certain number of affordable units for individuals with disabilities. **DHCD should comment on whether it still intends to cover 40% of the affordable rental housing shortage by 2014.**

4. Emphasis on Homeownership Diverts Funds from Rental Housing and Rehabilitation Programs

The fiscal 2007 working appropriation for Homeownership Programs includes a \$12.1 million transfer into the program. The funds are to be transferred from the Rental Housing (\$6.7 million) and Special Loan programs (\$5.4 million). Special Loan Programs include lead abatement and housing rehabilitation services.

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 the others, special funds are distributed among them according to the agency's projections of needs. Sections 4-502 to 4-505 give the DHCD Secretary authority to transfer unencumbered funds among these programs after the first eight months of the fiscal year.

DHCD is significantly behind its objectives in providing homeownership assistance, as discussed in Issue 3. Consequently, it is reasonable that the agency wants to improve the performance of the Homeownership Programs. However, there are concerns related to the funds transfer:

- **Large Transfers Compromise Legislative Appropriation Amounts:** The Secretary of DHCD is authorized to transfer funds among programs. However, past a certain point, these fund transfers undermine the General Assembly's appropriations to particular programs. Transfers totaling \$12.1 million represent a significant reprogramming of resources and priorities set by legislative appropriations. **DLS is concerned about transfers of this magnitude, and recommends that language be added requesting that DHCD notify the budget committees of transfers it intends to make that exceed \$1 million.**
- **Transfers Mean Lower Funding for Rental Housing and Special Loans Programs:** It is not clear how diverting funds from the Rental Housing and Special Loans Programs will affect the planned encumbrances for projects to be funded by those programs. **DHCD should comment on the justification for the emphasis on Homeownership Programs, and whether diverting funds to Homeownership will cause a backlog in Rental Housing and Special Loans Programs.**

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The Department of Legislative Services recommends that the following language be added:

Provided that the Department of Housing and Community Development shall not transfer more than \$1 million in funds among grant and loan programs without notifying the budget committees at least 30 days in advance.

Explanation: As provided in Section 4-502 through 4-505 of the Housing Article, the Secretary of the Department of Housing and Community Development (DHCD) is authorized to transfer funds among revolving grant and loan programs. However, large transfers may represent a significant reprogramming of resources and priorities set by the General Assembly when program funding levels are appropriated in the budget. The committees would like to stay apprised of DHCD’s fund transfer activities and request that the department provide written notification to the committees 30 days prior to planned transfers that exceed \$1 million.

Information Request	Author	Due Date
Notification of fund transfers that exceed \$1 million	DHCD	30 days before funds are transferred

Consolidated Administrative Expenses - All Programs

	FY 2006 Actual	FY 2007 Estimated	FY 2008 Estimated
Sources:			
Special Funds			
Neighborhood Business Development Program	791,883	1,203,671	723,670
Community Legacy Program	135,225	409,290	372,777
Rental Housing Program	2,112,284	3,103,848	2,399,963
Homeownership Program	1,947,154	4,184,432	1,542,037
Special Loan Programs	1,487,006	1,829,472	1,401,821
Subtotal – Special	\$6,473,552	\$10,730,713	\$6,440,268
General Funds	0	0	\$0
Other Special	3,858,896	3,916,154	6,112,287
Federal Funds		0	0
Total Funds	\$10,332,448	\$14,646,867	\$12,552,555
Uses			
Direct Expenses	\$6,742,340	\$9,055,149	\$9,303,394
Indirect Expenses			
Legal Services	671,259	890,728	511,491
CDA Administration	739,965	617,160	461,118
Asset Management	518,469	536,650	419,093
General	1,660,415	3,547,180	1,857,459
Total Direct & Indirect	\$10,332,448	\$14,646,867	\$12,552,555

Source: Department of Housing and Community Development

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 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.

The data do not include funds for the Historical and Cultural Programs, which were transferred to the Department of Planning in fiscal 2006.

DHCD should comment on how direct and indirect costs drive the amounts it retains to support administrative expenses. For example, personnel have not been added in order to handle increased activity volume.

Homeownership Programs (Statewide)

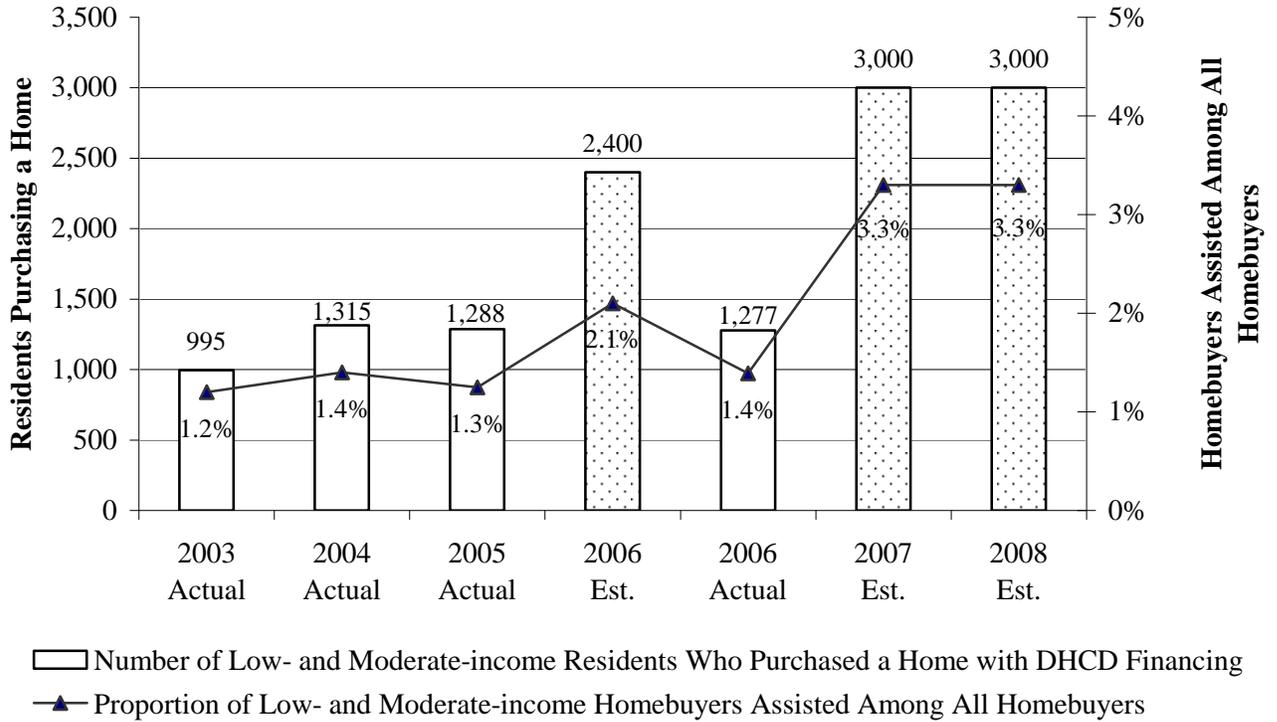
PAYGO SF	\$7,500,000	Recommendation:	Approve
PAYGO FF	\$100,000		

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.

Program Performance: One of DHCD’s primary goals is to help low- and moderate-income residents purchase or keep their homes. The number of these residents who purchased a home with DHCD financing held fairly steady from fiscal 2004 to 2006, as shown in **Exhibit 5**. The proportion of low- and moderate-income homebuyers receiving DHCD financing among all homebuyers (regardless of financing source) followed a similar pattern. As discussed in Overview Issue 3, at this point DHCD is significantly behind where it wants to be in terms of homeownership production.

Comments: Funding for Homeownership programs is \$7.6 million in the allowance, which is consistent with the level programmed in the 2006 *Capital Improvement Program (CIP)* for fiscal 2008. However, the anticipated funding mix changed. The 2006 CIP included \$1.5 million in general funds and \$6 million in special funds, while the allowance has no general funds and \$7.5 million in special funds.

**Exhibit 5
Low- and Moderate-income Homeownership Assistance
Fiscal 2003-2008**



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 reflect the number of low- and moderate-income homebuyers receiving DHCD financing divided by the total number of homebuyers regardless of the financing source.

Source: Governor’s Budget Books, Fiscal 2005-2008

Homeownership Programs Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$4,558,696	\$1,982,646	\$6,000,000
REVENUE			
General Funds	0	1,555,000	0
General Obligation Bonds	1,205,000	0	0
Loan Repayments/Interest	12,110,175	8,293,141	8,595,483
Transfer In (Out) Other Funds	0	12,148,191	0
Federal Funds	2,246,630	217,503	217,503
Cancellation of Encumbrances	3,300,710	621,022	621,022
TOTAL REVENUE	\$18,862,515	\$22,834,857	\$9,434,008
TOTAL AVAILABLE	\$23,421,211	\$24,817,503	\$15,434,008
ENCUMBRANCES			
Grants and Loans	\$18,038,041	\$15,600,000*	\$7,600,000
State Administrative Expense	3,200,755	3,100,000	1,500,000
Federal Administrative Expense	199,769	117,503	117,503
TOTAL ENCUMBRANCES	\$21,438,565	\$18,817,503	\$9,217,503
Ending Balance	\$1,982,646	\$6,000,000	\$6,216,505

*As of December 31, 2006, encumbrances totaled \$5,186,087 and reservations totaled \$5,545, 295. Reserved means the loan is awaiting final processing and is not yet encumbered.

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(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
GO Bonds	\$1.205	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO GF	0.000	1.555	0.000	0.900	0.700	0.650	1.000
PAYGO SF	6.295	13.945	7.500	7.500	7.500	8.000	8.000
PAYGO FF	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Total	\$7.500	\$15.600	\$7.600	\$8.500	\$8.300	\$8.750	\$9.100

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

Of the \$7.5 million in the allowance for Homeownership Programs, DHCD expects to allocate \$7 million to DSELP and \$500,000 to MHFP.

Fiscal 2007 Project Status

<u>Jurisdiction</u>	<u>Program</u>	<u>Project</u>	<u>Amount</u>
MHFP			
Anne Arundel		1 Individual Loan	\$130,000
Kent		1 Individual Loan	<u>80,158</u>
	Subtotal Encumbered		\$210,158
Disabled Borrowers			
Allegany		1 Individual Loan	\$90,694
Washington		1 Individual Loan	<u>100,000</u>
	Subtotal Encumbered – Disabled Borrowers		\$190,694
	Subtotal Encumbered – MHFP		\$400,852
Downpayment Settlement Expense Loan Program (DSELP)			
Allegany		Individual Loan(s)	\$103,150
Anne Arundel		Individual Loan(s)	199,830
Baltimore		Individual Loan(s)	764,487
Baltimore City		Individual Loan(s)	1,731,620
Calvert		Individual Loan(s)	33,400
Caroline		Individual Loan(s)	30,000
Carroll		Individual Loan(s)	65,000
Cecil		Individual Loan(s)	40,000
Charles		Individual Loan(s)	127,467
Dorchester		Individual Loan(s)	35,000
Frederick		Individual Loan(s)	100,000
Garrett		Individual Loan(s)	10,000
Harford		Individual Loan(s)	272,900
Howard		Individual Loan(s)	118,200
Kent		Individual Loan(s)	11,500

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<u>Jurisdiction</u>	<u>Program</u>	<u>Project</u>	<u>Amount</u>
Montgomery		Individual Loan(s)	\$50,000
Prince George's		Individual Loan(s)	574,550
Queen Anne's		1 Individual Loan	5,000
Somerset		Individual Loan(s)	24,550
St. Mary's		Individual Loan(s)	18,500
Talbot		Individual Loan(s)	15,000
Washington		Individual Loan(s)	233,800
Wicomico		Individual Loan(s)	152,818
Worcester		Individual Loan(s)	<u>48,950</u>
	Subtotal Encumbered – DSELP		\$4,765,722
		Total Encumbered	\$5,166,574
Reserved but Not Yet Encumbered			
Statewide		MHFP	\$333,000
Statewide		Disabled Borrowers	224,900
Statewide		DSELP	4,987,395
Hurricane Isabel – CDBG Funds			
Dorchester		1 Individual Loan	<u>19,513</u>
	Subtotal Encumbered – Hurricane Isabel		\$19,513
	Total – Program Activity		\$10,731,382

CDBG: Community Development Block Grant

Rental Housing (Statewide)

PAYGO GF	\$2,608,000	Recommendation:	Approve
PAYGO SF	\$9,392,000		
PAYGO FF	\$4,750,000		

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 programs provide 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.

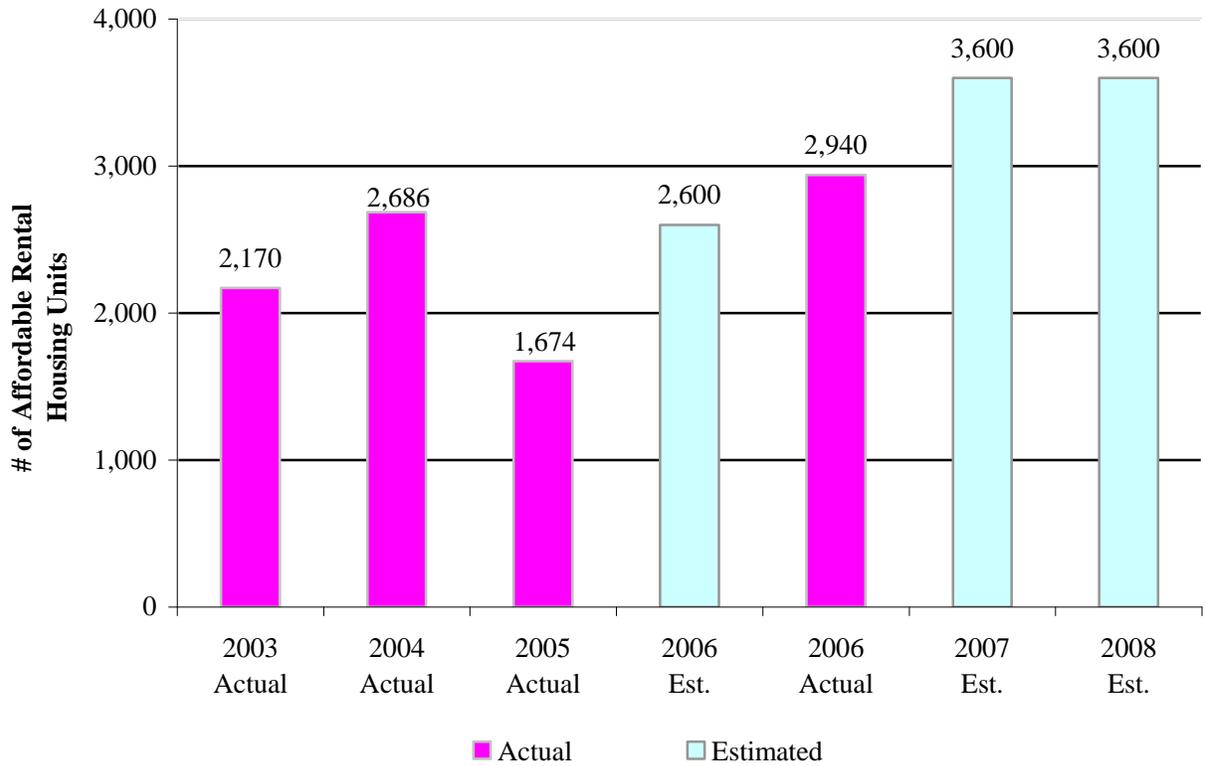
Program Performance Analysis: One of the Department of Housing and Community Development's (DHCD) primary goals is to expand decent, affordable rental housing in Maryland. As a measure of its rental housing efforts, DHCD tracks how many new affordable housing units it supports that go to initial closing. 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.

As shown in **Exhibit 6**, the units in initial closing can be uneven from year to year. If there is a delay in a project's construction schedule, then the unit count may be applied to the following fiscal year, and projects that incorporate up to several hundred units can cause a large swing. There is an eight-month interval between competitions for State loan funds so it may be difficult to make up for projects that do not materialize in a particular year.

In fiscal 2006, the units in initial closing exceeded the estimate by 340. Two projects account for most of this attainment; one was anticipated to close in fiscal 2005 but instead closed just after the beginning of fiscal 2006, and one closed just before the end of 2006. At halfway through fiscal 2007, DHCD has closed on 1,712 units, which is nearly half of the objective of 3,600. Still, as discussed in Overview Issue 3, at this point DHCD is behind where it wants to be in terms of total rental production.

Comments: Funding for Rental Housing Programs in the fiscal 2008 allowance is \$16.8 million, which is \$550,000 below the level programmed in the 2006 *Capital Improvement Program* (CIP) for fiscal 2008. The decrease is due to \$550,000 less expected in federal funds. Also, the anticipated funding mix changed to favor special funds over general funds. The 2006 CIP included \$6.1 million in general funds, whereas the allowance has \$2.6 million in general funds. Special funds in the 2006 CIP were \$5.9 million and the allowance provides \$9.4 million.

Exhibit 6
Affordable Rental Housing Units Going to Initial Closing
Fiscal 2003-2008



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: Governor's Budget Books, Fiscal 2005-2008

Rental Housing Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$4,185,637	\$6,436,696	\$1,703,647
REVENUE			
General Funds	0	15,395,000	2,608,000
General Obligation Bonds	0	0	0
Loan Repayments/Interest	12,863,215	10,635,241	10,888,472
Transfer In (Out) Other Funds	0	-6,742,259	0
Federal Funds	7,982,408	5,991,348	5,225,000
Cancellation of Encumbrances	37,914	24,369	24,369
TOTAL REVENUE	\$26,278,537	\$25,303,699	\$18,745,841
TOTAL AVAILABLE	\$30,464,174	\$31,740,395	\$20,449,488
ENCUMBRANCES			
Loans	\$15,587,062	\$26,237,000	\$16,750,000
State Administrative Expenses	2,675,070	3,108,400	2,400,000
Federal Administrative Expenses	370,346	691,348	475,000
TOTAL ENCUMBRANCES	\$24,027,478	\$30,036,748	\$19,625,000
Ending Balance	\$6,436,696	\$1,703,647	\$824,488

*Loans made as of December 31, 2006, totaled \$11,656,908 in encumbrances, meaning they have been entered into the accounting system, and \$17,227,528 in reserved loans, meaning they are awaiting final processing but are not yet encumbered.

S00A2306 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$10.000	\$2.608	\$6.050	\$5.900	\$7.000	\$7.000
PAYGO SF	7.605	5.542	9.392	7.950	7.900	8.350	8.350
PAYGO FF	5.850	5.300	4.750	4.750	4.750	4.750	4.750
GO Bonds	5.395	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$18.850	\$20.842	\$16.750	\$18.750	\$18.550	\$20.100	\$20.100

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

DHCD expects two competitive funding rounds during fiscal 2008; one in fall 2007 and one in spring 2008. The next round will be March 21, 2007, and will be used to reserve fiscal 2008 funds. Historically, the spring funding reserves funds for the following fiscal year to ensure that the funds are encumbered prior to the end of the fiscal year in which they are appropriated.

Fiscal 2007 Project Status

<u>Jurisdiction</u>	<u>Project</u>	<u>Amount</u>
Affordable Rental Housing – State Funds		
Baltimore	Weinberg Village IV	\$502,078
Baltimore City	Ashland Park View	996,779
Baltimore City	Serenity Place	900,000
Garrett	Village View	1,496,142
Harford	North Post Commons	1,500,000
Prince George’s	Renaissance Square Artist Housing	866,909
Amount deauthorized by fiscal 2006 MCCBL		<u>5,395,000</u>
Subtotal Encumbered – Affordable Rental Housing		\$11,656,908
Reserved but Not Yet Encumbered		
Allegany	Gateway Townhomes	\$764,820
Baltimore City	Francis House	471,868
Baltimore City	Parktown Apartments	676,878
Baltimore City	Ednor II	1,500,000
Cecil	Stony Run Apartments	1,500,000
Dorchester	Shiloh House	1,500,000
Frederick	Frederick Revitalization	1,500,000
Frederick	Victoria Park at Walkersville	1,500,000
Frederick	Brunswick House	1,500,000
Howard	Centennial Gardens	<u>1,500,000</u>
Subtotal – Reserved but not yet encumbered		\$12,413,566
Grand Total – Encumbered/Reserved		\$24,070,474

S00A2306 – Department of Housing and Community Development – PAYGO

<u>Jurisdiction</u>	<u>Project</u>	<u>Amount</u>
HOME – Encumbered		
	Subtotal – HOME Encumbered	\$0
HOME – Reserved but Not Yet Encumbered		
Dorchester County	Cambridge Commons	\$1,950,000
Garrett County	Liberty Square	1,363,962
Wicomico County	Victoria Park at Sassafras	<u>1,500,000</u>
	Subtotal – HOME Reserved	4,813,962
	Grand Total HOME - Encumbered/Reserved	\$4,813,962

Special Loan Programs (Statewide)

PAYGO GF	\$1,150,000	Recommendation:	Approve
PAYGO SF	\$5,350,000		
PAYGO FF	\$1,500,000		

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) Program. 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 may 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 Loan Programs is shown in **Exhibit 7**. Overall, the number of units assisted increased 35% from fiscal 2003 to 2006. The Lead Hazard Reduction program served significantly more units in fiscal 2004 and 2005 but has declined to prior levels.

DHCD expects to allocate fiscal 2008 Special Loan funds among the programs as follows: 42% for MHRP, 34% for GHF, 23% for LHRP, and 1% for IPP. Note that MHRP funds some plumbing projects as part of larger renovations, while IPP is dedicated only to plumbing projects.

Comments: Funding for the Special Loan Programs in the fiscal 2008 allowance is \$8 million, which is \$450,000 below the level programmed in the 2006 *Capital Improvement Program* for fiscal 2008. The decrease is due nearly entirely to a lower anticipated level of special funds.

Exhibit 7
Units Assisted by Special Loan Programs
Fiscal 2003-2008

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Est.</u> <u>2007</u>	<u>Est.</u> <u>2008</u>	<u>% Change</u> <u>2003-2006</u>
Maryland Housing Rehabilitation Program	53	56	74	90	93	108	69.8%
Indoor Plumbing Program	6	8	3	15	10	8	150.0%
Lead Hazard Reduction Program	33	184	150	21	100	105	-36.4%
Group Home Financing Program	43	57	51	56	56	56	30.2%
Total Units Assisted	135	305	278	182	259	277	34.8%

Source: Department of Housing and Community Development

Special Loan Programs Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$2,794,170	\$6,854,846	\$1,200,000
REVENUE			
General Funds	0	2,187,000	1,150,000
General Obligation Bonds	2,750,000	0	0
Loan Repayments/Interest	9,182,863	7,056,714	7,168,987
Transfer In (Out) Other Funds	0	-5,405,932	0
Federal Funds	3,876,997	2,251,503	1,650,000
Cancellation of Encumbrances	302,103	107,372	107,372
TOTAL REVENUE	\$16,111,963	\$6,196,657	\$10,076,359
TOTAL AVAILABLE	\$18,906,133	\$13,051,503	\$11,276,359
ENCUMBRANCES			
Loans	\$10,236,997	\$10,034,000*	\$8,000,000
State Administrative Expenses	1,362,361	1,600,000	1,300,000
Federal Administrative Expenses	451,929	217,503	150,000
TOTAL ENCUMBRANCES	\$12,051,287	\$11,851,503	\$9,450,000
Ending Balance	\$6,854,846	\$1,200,000	\$1,826,359

*Loans made as of December 31, 2006, totaled \$6,551,929 in encumbrances and \$322,024 in reservations. Note that Special Loan Programs encumbrances typically fall in the second half of the year.

S00A2306 – Department of Housing and Community Development – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$2.187	\$1.150	\$0.900	\$0.700	\$1.700	\$1.700
PAYGO SF	5.250	5.813	5.350	6.200	6.300	6.300	6.300
PAYGO FF	2.300	2.034	1.500	1.500	1.500	1.500	1.500
GO Bonds	2.750	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$10.300	\$10.034	\$8.000	\$8.600	\$8.500	\$9.500	\$9.500

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

Projects receiving Special Loan funds are funded on a first-come, first-served basis. DHCD does not provide forward reservations for individual projects, and there are no established rating or ranking criteria for selecting projects.

Fiscal 2007 Project Status

<u>Jurisdiction</u>	<u>Amount</u>
Allegany	\$51,710
Anne Arundel	1,180,697
Baltimore	0
Baltimore City	270,475
Caroline	168,355
Cecil	15,000
Charles	408,652
Dorchester	43,228
Frederick	63,801
Garrett	5,925
Harford	470,000
Kent	279,878
Montgomery	306,067
Prince George's	921,813
Somerset	6,207
Talbot	110,677
Washington	240,713
Wicomico	206,223
Worcester	<u>77,426</u>
Total – Encumbered	\$4,826,847
Reserved but Not Yet Encumbered	\$322,024
Federal Funds – HOME	
Allegany	\$16,592
Caroline	144,038

S00A2306 – Department of Housing and Community Development – PAYGO

<u>Jurisdiction</u>	<u>Amount</u>
Frederick	17,168
Somerset	100,745
St. Mary's	22,000
Talbot	214,465
Washington	228,101
Wicomico	14,267
Worcester	<u>116,846</u>
Total – Encumbered	\$874,222
Federal Funds – Lead Paint	
Anne Arundel	
Allegany	\$337,562
Caroline	745
Frederick	235,710
Montgomery	4,254
Washington	141,132
Wicomico	<u>131,457</u>
Total – Encumbered	\$850,860

Community Legacy Program (Statewide)

PAYGO GF	\$8,000,000	Recommendation:	Reduce by \$5 million. Add language to transfer \$2 million in special funds from the Neighborhood Business Development Program.
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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 community development organizations and local governments.

Program Performance Analysis: In fiscal 2006, the Community Legacy Program approved 55 multi-year projects for communities throughout the State. The projects include improving an estimated 70,038 linear feet of streetscapes, upgrading 10,920 linear feet of water and sewer lines, and rehabilitating or creating 492 housing units. Other projects include improving and developing parking lots, commercial façades, interior amenities, parks, municipal centers, and neighborhood safe havens. DHCD reports that for every dollar of Community Legacy funding provided, five dollars is leveraged from other sources.

Comments: The fiscal 2008 allowance for the Community Legacy Program is \$8 million in general funds. This matches what was programmed in the 2006 *Capital Improvement Program* for fiscal 2008.

Community Legacy Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$72,359	\$226,907	\$200,927
REVENUE			
GO Bonds	2,395,700	0	0
General Funds	0	13,894,833	8,000,000
Loan Repayments/Interest	102,898	400,000	400,000
Cancellation of Encumbrances	200,927	0	0
TOTAL REVENUE	\$2,699,525	\$14,294,833	\$8,400,000
TOTAL AVAILABLE	\$2,771,884	\$14,521,740	\$8,600,927
ENCUMBRANCES			
Grants and Loans	\$2,395,700	\$13,894,833*	\$8,000,000
Operating Expenses	149,277	425,980	400,000
TOTAL ENCUMBRANCES	\$2,544,977	\$14,320,813	\$8,400,000
Ending Balance	\$226,907	\$200,927	\$200,927

*Loans and grants made as of December 31, 2006, totaled \$6 million in encumbrances.

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000
GO Bonds	5.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$5.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000	\$8.000

Recommended Actions

	<u>Funds</u>
1. Reduce funds for the Community Legacy Program. Given the constrained fiscal condition of the State, programs supporting homeownership and affordable rental housing should take priority. Budget bill language is recommended that would transfer \$2 million in special funds from the Neighborhood Business Development Program to Community Legacy to partially replace the reduced funds.	\$ 5,000,000 GF

Fiscal 2008 Proposed Projects

Community Legacy projects are awarded annually on a competitive basis.

Fiscal 2006 Project Status

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Capital Award</u>
Cumberland, City of	Virginia Avenue Corridor Redevelopment Plan	Allegany	\$135,000
Cumberland, City of	Community Betterment Areas Homestead Project	Allegany	77,400
Frostburg, City of	Main Street Revolving Loan Fund	Allegany	75,000
Annapolis, City of – Clay Street	Acquisition Rehabilitation	Anne Arundel	50,000
Dundalk Renaissance Corporation	Housing Restoration Program	Baltimore	100,000
B & O Railroad Museum, Inc.	B&O Railroad Museum Whistle-Stop Gateway Project	Baltimore City	100,000
Baltimore Department of Housing and Community Development	1200 Block of N.Washington Street	Baltimore City	153,750
Baltimore Department of Housing and Community Development	Poppleton Housing Initiative	Baltimore City	200,000
Baltimore Department of Housing and Community Development	Hollins Market Homesteading Initiative	Baltimore City	65,000
Comprehensive Housing Assistance, Inc.	Neighborhood Park and Playground at Fallstaff School	Baltimore City	75,000
Diakon Lutheran Social Ministries	Diakon Place	Baltimore City	150,000
Jubilee Baltimore, Inc.	Penn North	Baltimore City	100,000
Patterson Park Community Development Corp.	Library Square Historic Facade Renovations	Baltimore City	75,000
Sharp-Leadenhall Planning Committee, Inc.	Solo Gibbs Community Resource Center	Baltimore City	35,000
Southeast Community Development Corp.	Eastern Avenue Commercial Intervention	Baltimore City	125,000
Unitarian Universalist	Neighborhood Intervention in Urban and Rural Communities	Baltimore City	100,000
Unity Properties, Inc.	Home Improvement Program	Baltimore City	50,000
North Beach, Town of	Chesapeake Avenue Underground Utilities Project	Calvert	100,000
Denton Development Corporation	Fourth Street Redevelopment Phase II	Caroline	100,000
Federalburg, Town of	Historical Society's Museum and Headquarters	Caroline	75,000
Westminster, City of	Union Street Community Center	Carroll	100,000
Ministers Alliance of Charles County and Vicinity, Inc.	Embassy Complex Phase II	Charles	135,000
Cambridge, Commissioners of	Harriet Tubman Museum and Education Center	Dorchester	160,000
Cambridge, Commissioners of	Transitional Shelter	Dorchester	50,000
Cambridge, Commissioners of	Gateway Signage	Dorchester	3,075
Brunswick, City of	Brunswick Heights	Frederick	100,000

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Capital Award</u>
	Improvement Project		
Garrett County Community Action Committee, Inc.	Streetscape Improvement Project	Garrett	\$75,000
Garrett County Community Action Committee, Inc.	Loch Lynn Community Building	Garrett	15,000
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	121,250
Harford County	Housing Incentive Rehabilitation Loan Program	Harford	200,000
Howard County Department of Housing and Community Development	Corridor Housing Development Project	Howard	80,275
Gaithersburg, City of	North Summit Avenue Olde Towne Connection Project	Montgomery	75,000
Montgomery County, MD	Small Business Loan Fund	Montgomery	50,000
Bladensburg, Town of	Bostwick Structural Stabilization	Prince George's	100,000
Bowie, City of	Street Improvement Program	Prince George's	125,000
Central Gateway Community Development Corp.	Kingdom Square Facade Program	Prince George's	300,000
College Park, City of	Downtown Redevelopment and Parking Garage	Prince George's	150,000
Hyattsville, City of	Public Safety Improvements to Hamilton Street	Prince George's	50,000
Mount Rainier, City of	3409 Redevelopment	Prince George's	80,000
Port Towns Community Development Corporation	Business Façade Program	Prince George's	54,250
Seat Pleasant, City of	Neighborhood Revitalization	Prince George's	100,000
Washington Area Community Investment Fund	Housing/Community-Based Technical Assistance Program	Prince George's	125,000
Leonardtown, Commissioners of	Leonardtown Wharf	St. Mary's	100,000
St. Mary's County Housing Authority	Colony Square Revitalization Project	St. Mary's	125,000
Easton, Town of	Frederick Douglass Monument Project	Talbot	100,000
Easton, Town of	Easton Facade Improvement Program	Talbot	46,250
Easton, Town of	Avalon Theatre Project	Talbot	15,000
Hagerstown, City of	Historic Alms House	Washington	85,000
Salisbury, City of	Isabella Street Streetscape	Wicomico	85,000
Ocean City Development Corp.	Facade Improvements	Worcester	50,000
Ocean City Development Corp.	Land Acquisition	Worcester	50,000
Pocomoke, City of	Sturgis One-Room School Museum Improvements	Worcester	5,125
Pocomoke, City of	Downtown Building Interior Rehabilitation	Worcester	46,125

Fiscal 2007 Project Status

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Capital Award</u>
Cumberland, City of	Virginia Avenue Corridor Redevelopment Plan Infrastructure	Allegany	\$100,000
Cumberland, City of	Virginia Avenue Corridor Blight Removal	Allegany	75,000
Cumberland, City of	Virginia Avenue Corridor Revitalization Property Compliance	Allegany	100,000
Annapolis, City of – Clay Street	Town Pines Court – Rehabilitation	Anne Arundel	175,000
Annapolis, City of – Clay Street	Public Safety Project	Anne Arundel	625
Arundel Community Development Services, Inc.	Brooklyn Park Property Rehabilitation Program	Anne Arundel	150,000
Dundalk Renaissance Corporation	Main Street Manager	Baltimore	375
Dundalk Renaissance Corporation	Housing Restoration Program	Baltimore	75,000
B & O Railroad Museum, Inc.	B&O Railroad Museum Whistle-Stop Gateway-Phase II	Baltimore City	50,000
Baltimore Development Corporation	Roll Down Grate Removal Project	Baltimore City	100,000
Charles Village Community Benefits District	Four Small Facade Grants	Baltimore City	50,000
Comprehensive Housing Assistance, Inc.	Residential Facade Renovations	Baltimore City	75,000
Diakon Lutheran Social Ministries	Ashland Park Project in Madison East End	Baltimore City	120,000
Faith Fund, Inc.	Harford Road Commercial Development Revolving Loan Fund	Baltimore City	200,000
Govanstowne Business Association	Govanstowne: Building on Progress	Baltimore City	50,000
Govanstowne Business Association	Kingdom First Federal Credit Union	Baltimore City	60,000
Great Blacks In Wax Museum, Inc.	Facade Retention and Restoration Program	Baltimore City	75,000
Greater Harvest Housing Corp.	Project Harvest	Baltimore City	50,000
Holy Nativity Saint Johns Development Corporation	Pimlico Road Arts and Community Center	Baltimore City	100,000
Jubilee Baltimore, Inc.	Hollins Market Historic District	Baltimore City	175,000
Midtown Development Corp.	Baltimore School for the Arts Renovation – Expansion	Baltimore City	320,612
Oliver Community Association	Oliver Economic Development Corporation	Baltimore City	750
Patterson Park Community Development Corp.	Belnord Theatre Stabilization Project	Baltimore City	60,000
Reinvestment Fund, The	The Oliver Project	Baltimore City	100,000
Washington Village – Pigtown Neighborhood Planning Council	Pigtown Main Street Revolving Loan Fund	Baltimore City	125,000
Washington Village – Pigtown Neighborhood Planning Council	Ward Street Affordable Housing Green Build	Baltimore City	75,000

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Capital Award</u>
North Beach, Town of	Chesapeake Avenue Underground Utilities Project Phase II	Calvert	100,000
Denton, Town of	Fourth Street Redevelopment Phase II-III	Caroline	100,000
Mount Airy, Town of	Parking Lot Redesign	Carroll	75,000
Westminster, City of	Workforce Housing and Section 8 Home Ownership Initiative	Carroll	75,000
Charles County, Commissioners of	Heathcote Road Community Revitalization	Charles	70,000
Cambridge, Commissioners of	Downtown Market Analysis	Dorchester	625
Cambridge, Commissioners of	Historic Replica of the Choptank River Lighthouse	Dorchester	225
Brunswick, City of	Sidewalk Replacement Project	Frederick	50,000
Frederick, City of	Renovation of Storage Facility	Frederick	150,000
Town of Thurmont	Thurmont Tolley Trail	Frederick	25,000
Town of Thurmont	Consultant for National Trust Designation	Frederick	375
Garrett County Community Action Committee, Inc.	Comprehensive Plan Updates	Garrett	875
Garrett County Community Action Committee, Inc.	Facade Improvement Program	Garrett	60,000
Garrett County Community Action Committee, Inc.	Community Trails and Parks	Garrett	\$39,463
Bel Air, Town of	Bel Air Armory – Air Conditioning Installation	Harford	100,000
Harford County, Maryland	Lee Court Acquisition	Harford	150,000
Harford County, Maryland	Housing Incentive Rehabilitation Program – Admin. Support	Harford	750
Havre de Grace Main Street	Main Street Program Operating Expense	Harford	500
Havre de Grace, City of	Franklin Street Streetscape Improvement Project	Harford	51,000
Howard County Dept. of Housing and Community Development	The Corridor Housing Revolving Loan Project	Howard	175,000
Gaithersburg, City of	Streetscape Improvements at Gateway to Olde Towne	Montgomery	75,000
Montgomery County, MD	Burtonsville, East County Community Legacy Plan	Montgomery	700
Montgomery County, MD	Georgia Avenue/Triangle Lane Connection	Montgomery	75,000
Montgomery County, MD	Day Laborer Center for Employment and Training Improvements	Montgomery	50,000
Takoma Park, City of	New Hampshire Avenue Corridor Initiative	Montgomery	28,000
Bladensburg, Town of	Project Manager Bostwick	Prince George's	500
Bladensburg, Town of	Bladensburg Town Center Pre-development Project	Prince George's	25,000
Bowie, City of	Street Improvement Program: WB&A – Bowie State Trail	Prince George's	750

<u>Awardee</u>	<u>Project Name</u>	<u>County</u>	<u>Capital Award</u>
CASA of Maryland, Inc.	Linkage	Prince George's	100,000
Central Gateway Community Development Corp.	Prince George's Worker Center	Prince George's	300,000
College Park, City of	Kingdom Square Facade Improvement – Phase II	Prince George's	150,000
Edmonston, Town of	Parking Garage and Land Acquisition	Prince George's	35,875
Gateway Municipalities Community Development Corp.	Street Lighting Project	Prince George's	100,000
Housing Initiative Partnership, Inc.	Brentwood Town Community Center	Prince George's	75,000
Housing Initiative Partnership, Inc.	Homeowner Rehab Program	Prince George's	52,500
Hyattsville, City of	Hylton Street Burn-out Recovery	Prince George's	60,000
Mount Rainier, City of	Streetscape for Hamilton Street	Prince George's	130,000
Seat Pleasant, City of	3409 Multit-Use Center	Prince George's	100,000
Washington Area Community Investment Fund	Acquire vacant properties and rehabilitate	Prince George's	350,000
Leonardtown, Commissioners of	Expanding the Model Block Concept	Prince George's	200,000
Easton, Town of	Leonardtown Wharf	Saint Mary's	50,000
St. Michaels , Town of	Easton Facade Improvement Program	Talbot	500
Hagerstown, City of	Planning Funds	Talbot	115,000
Hagerstown, City of	Barbara Ingram School for the Arts/Front Facade	Washington	115,000
Salisbury, City of	Adaptive Reuse/Meda's Building	Washington	50,000
Ocean City Development Corp.	Isabella Street Streetscape Phase II	Wicomico	50,000
Pocomoke, City of	OCDC Facade Improvements Program	Worcester	25,000
	Mar-VA Theater Seating Project & Operating Funds	Worcester	

Neighborhood Business Development Program (Statewide)

PAYGO SF	\$6,000,000	Recommendation:	Add language to transfer \$2 million to the Community Legacy Program.
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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 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.

Program Performance Analysis: In fiscal 2006, NBDP provided financing to 28 small businesses and nonprofit organizations. About \$2.2 million was loaned to 13 small businesses, which leveraged \$16 million in private funding for capital improvements. The loans supported restaurants, retail stores, grocery stores, bookshops, and bed and breakfast lodgings. Another \$875,200 was awarded in grants to 15 nonprofits for façade improvements; 11 of the grants were to organizations in Main Street communities.

Comments: The fiscal 2008 allowance for NBDP is \$6 million in special funds, which matches the amount and type of funds programmed in the 2006 *Capital Improvement Program*. The fund history data show a \$2.1 million cancellation in fiscal 2006 – this was from the Bay District Volunteer Fire Department in St. Mary's County.

Neighborhood Business Development Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$1,845,349	\$4,395,294	\$2,497,185
REVENUE			
Loan Repayments and Interest	4,792,632	4,791,891	5,396,727
Cancellation of Encumbrances	2,069,594	510,000	510,000
TOTAL REVENUE	\$6,862,226	\$5,301,891	\$5,906,727
TOTAL AVAILABLE	\$8,707,575	\$9,697,185	\$8,403,912
ENCUMBRANCES			
Grants and Loans	\$3,656,965	\$6,000,000*	\$6,000,000
Operating Expenses	655,316	1,200,000	1,200,000
TOTAL ENCUMBRANCES	\$4,312,281	\$7,200,000	\$7,200,000
Ending Balance	\$4,395,294	\$2,497,185	\$1,203,912

*Loans made as of December 31, 2006, were \$649,801 in encumbrances, meaning the transactions are entered into the accounting system, and \$1,603,850 in reservations, meaning the transactions are awaiting final processing but not yet encumbered.

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO SF	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$7.000	\$7.000
Total	\$6.000	\$6.000	\$6.000	\$6.000	\$6.000	\$7.000	\$7.000

Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that \$2,000,000 of this appropriation shall be transferred to the Community Legacy Program within the Department of Housing and Community Development.

Explanation: Given the constrained fiscal condition of the State, programs supporting homeownership and affordable rental housing should take priority over community development programs. This transfer would partially replace a general fund reduction of \$5 million to the Community Legacy program within the Department of Housing and Community Development.

Fiscal 2008 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 2007 Project Status

<u>County</u>	<u>Project Name</u>	<u>Amount</u>
Baltimore City	Senator Theatre	\$219,500
Caroline	Lily Pad Café & Catering	212,000
St. Mary's	Curtis Tire Center	48,898
Talbot	Chez Lafitte Galerie & Salon	<u>100,000</u>
	Subtotal – Grant/Loan Activity to Date	\$580,398
Capital Access Program		
Various		\$69,403
Reserved but Not Yet Encumbered		\$1,603,850

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% of funds benefited low- and moderate-income individuals.

In fiscal 2006, the CDBG program approved 37 multi-year projects, primarily in rural areas. The projects will provide new housing and rehabilitated housing for an estimated 93 households, and it will improve and rehabilitate sewer systems, water systems, streets, and sidewalks for an estimated 26,319 individuals.

Comments: The fiscal 2008 allowance for CDBG is \$10 million in federal funds, which is \$1 million more than what was programmed in the 2006 *Capital Improvement Program* for fiscal 2008. The funds are budgeted based on expected federal grant amounts.

Community Development Block Grant Fund Data

Fund History

	<i>FY 2006 Actual</i>	<i>FY 2007 Estimated</i>	<i>FY 2008 Estimated</i>
Beginning Balance	\$0	\$0	\$0
REVENUE			
Federal Funds	9,646,060	10,415,000	10,415,000
TOTAL REVENUE	\$9,646,060	\$10,415,000	\$10,415,000
TOTAL AVAILABLE	\$9,646,060	\$10,415,000	\$10,415,000
ENCUMBRANCES			
Grants and Loans	\$9,224,480	\$10,000,000 *	\$10,000,000
Operating Expenses	421,580	415,000	415,000
TOTAL ENCUMBRANCES	\$9,646,060	\$10,415,000	\$10,415,000
Ending Balance	\$0	\$0	\$0

* Loans made as of December 31, 2006, total \$5,378,771 in encumbrances, meaning the transactions are entered into the accounting system, and \$885,711 in reservations, meaning the transactions are awaiting final processing and are not yet encumbered.

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 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 2008 Proposed Projects

Applications from non-entitlement local governments will be due in spring 2007, and awards will be made after July 1, 2007.

Fiscal 2007 Project Status

<u>County</u>	<u>Grantee Name</u>	<u>Amount</u>
Allegany	County Commissioner of Allegany County	\$150,000
Allegany	Town of Lonaconing	143,562
Caroline	Board of Commissioners of Caroline County	300,000
Caroline	Town of Federalsburg	250,000
Carroll	County Commissioner of Carroll County	150,000
Cecil	Cecil County	10,000
Dorchester	City of Cambridge	283,000
Dorchester	Town of Secretary	300,425
Garrett	Town of Kitzmiller	165,000
Garrett	Town of Loch Lynn Heights	800,000
Garrett	Town of Mt. Lake Park	500,000
Kent	County Commissioner of Kent County	400,000
Kent	County Commissioner of Kent County	300,000
Somerset	County Commissioner of Somerset County	255,636
St. Mary's	County Commissioner of St. Mary's County	240,000
Talbot	Town of Trappe	235,000
Washington	County Commissioner of Washington County	327,327
Washington	Town of Funktown	100,000
Wicomico	Town of Delmar	177,000
Worcester	City of Pocomoke	<u>291,821</u>
	Subtotal – Encumbered	\$5,378,771
Reserved – Not Yet Encumbered		\$885,711
	Grand Total	\$6,264,482

Partnership Rental Housing Program (Statewide)

PAYGO SF	\$2,000,000	Recommendation:	Approve
General Obligation	\$6,000,000		

Program Description: The original Partnership Rental Housing Program provided deferred payment loans to local governments for rental housing construction and rehabilitation. The local governments provided the finished site including infrastructure. Chapter 117 of 2006 modifies the program so that local governments have more flexibility in determining how their contribution is determined. Furthermore, the program now can provide financing to private developers as long as they agree to include a certain number of affordable rental units for disabled individuals in the project.

If the project is owned by a local government, 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 89 workforce/affordable housing units in fiscal 2006. The pipeline of future requests currently totals \$8.6 million.

Comments: The fiscal 2008 allowance for the Partnership Rental Housing Program is \$8 million, including \$6 million in general obligation bonds and \$2 million in special funds. The 2006 *Capital Improvement Program* had programmed only \$6 million in GO bonds for fiscal 2008.

Partnership Rental Housing Fund Data

Prior Program Activity – All Fund Sources

	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007*</i>
Encumbrances	\$12,411,763	\$6,752,895	\$13,682,961	\$137,039	\$3,630,000
Expenditures	\$17,811,775	\$10,430,261	\$11,593,448	\$8,727,764	\$406,770

*As of October 2006

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	\$132.558	\$132.539	\$131.918	\$0.019	\$0.640
2003	8.000	8.000	7.772	0.000	0.228
2004	10.000	10.000	9.114	0.000	0.886
2005	6.000	6.000	2.296	0.000	3.704
2006	6.000	6.000	0.000	0.000	6.000
2007	6.000	0.000	0.000	6.000	6.000
Total	\$168.558	\$162.539	\$151.101	\$6.019	\$17.457

(\$ in Millions)

<i>Description</i>	<i>2006 Approp.</i>	<i>2007 Approp.</i>	<i>2008 Request</i>	<i>2009 Estimate</i>	<i>2010 Estimate</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>
PAYGO GF	\$0.000	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	0.000	0.000	2.000	0.000	0.000	0.000	0.000
GO Bonds	6.000	0.000	6.000	6.000	6.000	7.000	7.000
Total	\$6.000	\$6.000	\$8.000	\$6.000	\$6.000	\$7.000	\$7.000

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2008 Proposed Projects

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

Fiscal 2007 Project Status

<u>County</u>	<u>Project</u>	<u>Estimated Cost</u>	<u>Prior Authorization.</u>	<u>Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Howard	Centennial Gardens	\$8,600,000		\$1,950,000		22.7
Howard	Ellicott Gardens	17,200,000		1,781,413	1,068,587	16.6
Montgomery	Wheaton Metro	13,000,000		1,530,000		11.8
Queen Anne's	Foxxtown Apartments	5,200,000	2,727,547	757,453		67.0
Totals		\$44,000,000	\$2,727,547	\$6,018,866	\$1,068,587	

Fiscal Summary
Dept of Housing and Community Development PAYGO

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
02 Neighborhood Revitalization – Capital Appropriation	\$ 12,881,445	\$ 29,894,833	\$ 24,000,000	-\$ 5,894,833	-19.7%
07 Rental Housing Programs – Capital Appropriation	15,587,062	26,237,000	16,750,000	-9,487,000	-36.2%
08 Homeownership Programs – Capital Appropriation	16,833,041	15,600,000	7,600,000	-8,000,000	-51.3%
09 Special Loan Programs – Capital Appropriation	7,486,997	10,034,000	8,000,000	-2,034,000	-20.3%
10 Partnership Rental Housing	0	6,000,000	2,000,000	-4,000,000	-66.7%
Total Expenditures	\$ 52,788,545	\$ 87,765,833	\$ 58,350,000	-\$ 29,415,833	-33.5%
General Fund	\$ 0	\$ 39,031,833	\$ 11,758,000	-\$ 27,273,833	-69.9%
Special Fund	30,480,074	31,300,000	30,242,000	-1,058,000	-3.4%
Federal Fund	22,308,471	17,434,000	16,350,000	-1,084,000	-6.2%
Total Appropriations	\$ 52,788,545	\$ 87,765,833	\$ 58,350,000	-\$ 29,415,833	-33.5%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.