

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1090 (Delegate Queen, *et al.*)
 Environment and Transportation

**Revitalizing Neighborhoods Through Homeownership Program and Fund –
 Established**

This bill establishes the Revitalizing Neighborhoods Through Homeownership Program and a related special fund within the Department of Housing and Community Development (DHCD). The purpose of the program is to provide financial assistance in the form of loans to political subdivisions to support the purchase and renovation of U.S. Department of Housing and Urban Development (HUD) Dollar Homes and abandoned residential properties for resale to low- and moderate-income buyers. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$2.7 million in FY 2025 to capitalize the fund and administer the program. Out-year general fund expenditures reflect ongoing capitalization and administrative costs. Special fund revenues and expenditures increase by \$2.5 million annually beginning FY 2025 (reflecting the capitalization of the fund and related spending). Special fund revenues also increase to the extent loans are repaid. Federal fund revenues and expenditures increase to the extent DHCD secures federal funds for the program, as discussed below.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
FF Revenue	-	-	-	-	-
GF Expenditure	\$2,656,100	\$2,685,700	\$2,694,000	\$2,702,500	\$2,711,400
SF Expenditure	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
FF Expenditure	-	-	-	-	-
Net Effect	(\$2,656,100)	(\$2,685,700)	(\$2,694,000)	(\$2,702,500)	(\$2,711,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local revenues and expenditures increase to the extent local governments apply for and receive program loans.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Revitalizing Neighborhoods Through Homeownership Fund

The Revitalizing Neighborhoods Through Homeownership Fund is a special, nonlapsing fund administered by DHCD. The fund consists of (1) money appropriated in the State budget to the fund; (2) federal funding allocated or granted to the fund, including funding from federal housing programs; (3) repayments of principal and payments of interest on loans issued from the fund; (4) interest earnings of the fund; and (5) any other money from any other source accepted for the benefit of the fund. The purpose the fund is to provide financial assistance in the form of loans from the program, and the fund may only be used for that purpose.

Any interest earnings of the fund must be credited to the fund. Expenditures from the fund must be in accordance with the State budget.

Revitalizing Neighborhoods Through Homeownership Program

“HUD Dollar Home” means a residential dwelling purchased under the Dollar Homes – Government Sales Program operated by HUD. “Low- to moderate-income buyers” means individuals or families with a household income that is less than or equal to a certain percentage of the area median income, adjusted for family size.

DHCD must (1) administer the program through the Community Development Administration (CDA); (2) establish household income limits for low- to moderate-income buyers; and (3) adopt regulations to carry out the program. The established household income limits must be consistent with any applicable income limits established by the federal government for the Dollar Homes – Government Sales Program operated by HUD.

DHCD must develop the application and eligibility criteria for loans issued under the program. A loan issued under the program may be in an amount up to \$25,000 and must be secured by a mortgage on the property purchased or renovated using the loan proceeds.

DHCD must establish repayment terms and may charge interest for a loan issued under the program. The interest rate on a loan issued under the program must be less than the market rate for a similar loan at the time DHCD approves the application for a program loan. The

terms of the loan must require repayment of the loan plus any outstanding interest owed on resale of the residential property to a low- to moderate-income buyer.

Current Law:

Dollar Homes – Government Sales Program

The Dollar Homes – Government Sales Program, administered by HUD, helps local governments facilitate housing opportunities for low- to moderate-income families by offering local governments the opportunity to purchase qualified HUD-owned homes for \$1. Dollar Homes are single-family homes acquired by the Federal Housing Administration (a unit within HUD) as a result of foreclosure actions. Generally, should a property with a current market value of \$25,000 or less remain unsold for six months, HUD makes the property available solely to local governments for \$1. Local governments then have 10 days to bid on the property, otherwise the property returns to HUD’s extended listing process.

Maryland Housing Rehabilitation Program

The Maryland Housing Rehabilitation Program within DHCD provides financing assistance for the acquisition and rehabilitation of single-family and multifamily rental buildings. The purpose of the program is to preserve and improve single-family properties and one- to four-unit rental properties. The program is designed to bring these properties up to applicable building codes and standards. DHCD is authorized to make program loans for housing on terms that DHCD considers necessary to make the housing affordable to families of limited income, as specified.

Maryland Mortgage Program

The Maryland Mortgage Program (MMP), administered by CDA, provides below-market, fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. MMP has annual income requirements limiting who can apply for a loan through the program. Income requirements vary by location and whether the home is in a “targeted area.”

State Fiscal Effect:

Capitalizing the Fund and Related Fund Activity

General fund expenditures increase by \$2.5 million annually beginning in fiscal 2025 to capitalize the fund. Special fund revenues to and expenditures from the fund increase

correspondingly. This estimate assumes that DHCD issues 100 loans each year, and each loan is issued at the maximum amount allowed under the program of \$25,000. This analysis also assumes that DHCD provides financial assistance equal to the full amount of capitalization funding it receives each year. Special fund revenues increase from loan repayments, but a reliable estimate of any such revenues cannot be quantified at this time, as the terms of the loans are unknown.

DHCD advises that federal funding it currently receives cannot be used for the program, so this analysis assumes general funds are needed to initially capitalize the fund. To the extent DHCD secures federal funds for the program, the need for general funds may decrease, and federal fund revenues and expenditures increase accordingly.

Over time, capitalization funds may not be needed to the extent that the fund becomes self-sufficient due to loan repayments, but that is likely beyond the five-year timeframe of this analysis.

Administrative Expenses

Existing staff within DHCD cannot absorb the additional duties resulting from the bill; accordingly, DHCD requires additional staff. As the bill explicitly states that the fund may only be used to provide loans under the program, this analysis assumes that additional general funds are needed to cover DHCD’s administrative expenses. Therefore, general fund administrative expenditures increase by \$156,128 in fiscal 2025, which accounts for a 90-day start-up delay from the bill’s July 1, 2024 effective date. This estimate reflects the cost of hiring one program manager to oversee the program and develop the necessary regulations and one financial analyst trainee to oversee the accounting-related functions of the program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$141,616
Operating Expenses	<u>14,512</u>
Total FY 2025 DHCD Admin. Expenditures	\$156,128

Future year administrative expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Fiscal Effect: To the extent that local governments apply for and receive loans through the program, local revenues and expenditures increase accordingly. Local property tax revenues may increase to the extent the bill results in more homes being renovated and sold.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 501 of 2023.

Designated Cross File: None.

Information Source(s): Prince George's County; Department of Housing and Community Development; Department of Legislative Services

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km/mcr

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