

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
 Revised

Senate Bill 514 (Senator McFadden. *et al.*)

Economic and Environmental Affairs

Department of Housing and Community Development - Affordable Housing

This bill establishes a Self-Help Homeownership Technical Assistance Program in the Department of Housing and Community Development (DHCD) to provide grants to expand homeownership opportunities for families of limited income. Section 2 of the bill modifies the law governing the Maryland Affordable Housing Trust by providing that service as a trustee may not be deemed an office or employment of the State for purposes of any statutory prohibition against holding two public positions. Section 2 takes effect June 1, 2000.

Fiscal Summary

State Effect: General fund expenditure increase of \$1,024,200 in FY 2001 to provide grants and administer the program. Future year estimates are annualized, adjusted for inflation, and reflect ongoing grants and other operating expenses. No effect on revenues.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Exp.	1,024,200	1,026,400	1,027,600	1,028,900	1,030,200
Net Effect	(\$1,024,200)	(\$1,026,400)	(\$1,027,600)	(\$1,028,900)	(\$1,030,200)

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

Local Effect: To the extent that local jurisdictions receive technical assistance grants pursuant to this bill, the bill could have a meaningful impact.

Small Business Effect: Potential meaningful impact for small nonprofits to the extent that they receive technical assistance grants pursuant to this bill. If the bill results in an increase in property values and rehabilitations in affected neighborhoods, there could be an increase in demand for certain construction services.

Analysis

Bill Summary: The stated purpose of the program is to make grants for technical assistance

to expand: (1) the production of decent affordable housing for families of limited income through the use of self-help methods of rehabilitation and construction; (2) the homeownership opportunities for those to whom it would otherwise not be available without the cost-savings achieved by the self-help method; and (3) self-reliance, pride of ownership, and sense of community for those who participate.

DHCD must administer the program, establish guidelines to determine applicant eligibility, and adopt regulations to carry out the grant program. The bill authorizes DHCD to:

- establish eligibility criteria and adopt regulations to implement them; and
- award technical assistance grants to local jurisdictions and nonprofit organizations, subject to specified terms and conditions, to: (1) provide assistance to families of limited income who are owner-builders or self-help rehabilitators for: (a) assistance, training, and supervision on self-help construction activities and techniques; (b) assistance in project development; and (c) administrative costs; and (2) provide owner-builders and self-help rehabilitators information and technical assistance, as provided by the bill.

DHCD may require that a grant be repaid, in whole or in part, upon the occurrence of conditions specified by DHCD. A technical assistance grant may not be: (1) used for the purchase of land, materials, tools, and construction equipment or for any costs of construction; (2) more than 15% of the purchase price of the housing unit; and (3) awarded for a project of fewer than six housing units. The recipient shall complete the project within two years unless an extension is granted by DHCD.

Current Law: No such program exists in statute.

State Expenditures: General fund expenditures could increase by an estimated \$1,024,200 in fiscal 2001, which accounts for the program's October 1, 2000, effective date. This estimate reflects \$1 million for grants and the cost of hiring 1/2 administrator to manage the grant program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- funding for grants of approximately \$1 million annually would be needed for a viable program; and
- the administrator would travel approximately 3,000 miles per year to visit project sites in order to review funded activities.

Salaries and Fringe Benefits	\$18,600
Grants	1,000,000
Other Operating Expenses	<u>5,600</u>
Total FY 2001 State Expenditures	\$1,024,200

Future year expenditures reflect (1) ongoing grants of \$1 million; (2) full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: HB 501 (Delegate Cane, *et al.* - Economic Matters) is identified as a cross file although it is not identical.

Information Source(s): Department of Housing and Community Development, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2000
mld/jr Revised - Senate Third Reader - March 21, 2000
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