

Analysis

Current Law: Lot consolidation and demolition are not included as development costs that are eligible for financing under the RHP or MHF programs.

Background: MHF provides preferred interest rate, short-term loans for: (1) households of limited income in single-family homes; (2) owner-occupants of residential buildings with no more than four units who agree to rent to households of limited income; (3) developers of qualifying residential units; and (4) nonprofit sponsors.

RHP Program funds can be used for capital assistance to cover costs of construction, rehabilitation, or acquisition of rental housing; or for mortgage assistance to reduce the operating costs of rental housing. Local governments must make a contribution to reduce costs or otherwise support developments financed through the program. Priority is given to developments that serve households at 30% or less of area median income.

The bill seeks to address the rehabilitation of vacant or dilapidated townhouses and apartments, particularly in urban communities. Under the bill, when a developer or landowner buys two adjacent properties, one of them may be rehabilitated and the other one demolished. The land can then be converted to a yard for the tenants of the renovated structure. DHCD advises that this modification could help attract more tenants and thus encourage community development.

State Expenditures: DHCD expects the bill to create a slight increase in the number of applications for financing and the amount of financing requested per housing project. To the extent that the increase will consume existing funds, the number of future projects that can be financed through these programs may be reduced. Additional training will be needed to educate mortgage lenders and customers about the changes. DHCD advises that it can absorb the additional workload with existing resources.

Local Expenditures: To the extent that State funds to cover these development costs are available, demand for local funding will decline. For example, DHCD advises that the typical cost to demolish a Baltimore City rowhouse is \$10,000.

Small Business Effect: The bill may make it easier for small developers to participate in building rehabilitation by eliminating the need to identify funding for demolition and lot consolidation and by increasing the developer's fee (generally 15% of the total project cost). It may also provide additional work for titling firms. Small businesses that serve

the community could also benefit from increased occupancy of formerly vacant buildings. These impacts are not expected to be significant, however.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Ann Marie Maloney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510