

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Joint Resolution 6 (Delegate Rosenberg, *et al.*)
Rules and Executive Nominations

Study of Mixed Income Housing Developments

This joint resolution urges the Department of Housing and Community Development (DHCD) and the Housing Policy Commission to study the Priority Development Fund in Massachusetts and report on whether a comparable program can be used in Maryland.

Fiscal Summary

State Effect: None. The study can be conducted with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Governor's Commission on Housing Policy was created by executive order in 2003 to develop a comprehensive housing policy and a strategic plan to meet the housing needs of Maryland citizens. The commission will review and evaluate State programs and policies for affordable housing and recommend to the Governor ways to increase and preserve affordable housing in all Maryland communities. The executive order directs the commission to examine industry trends in the location, production, and rehabilitation of single-family and multi-family housing but does not specify that other State programs should be considered. The commission's interim report to the Governor is due September 30, 2004, and the final report is due December 31, 2004.

Background: In January 2004, Massachusetts Governor Mitt Romney announced the creation of the Priority Development Fund (PDF), a \$100 million program intended to spur construction of new homes. Of the \$100 million, \$75 million will be set aside for

the construction of new mixed-income housing developments (primarily apartments) where at least 20% of the units are affordable to low- and moderate-income residents. Another \$22 million is earmarked for mixed-income housing development near transit centers. The remaining \$3 million will provide planning assistance to communities to establish affordable housing plans.

To be eligible for PDF funding, a development proposal must have at least 20% of the units reserved for occupants with 80% of area median income (\$62,650 for a family of four in the Greater Boston area) or less. However, in instances where funds are used with other housing programs, other affordability restrictions may apply. Priority will be given to PDF projects that conform to Smart Growth principles.

MassHousing, the Commonwealth's quasi-public affordable housing bank, will administer the new fund, which will be supported by its reserves and anticipated mortgage repayments. MassHousing sells tax-exempt and taxable bonds to individual and corporate investors, which raises private capital for mortgages that MassHousing loans to eligible borrowers. Over the next three years, MassHousing estimates that the program will help create as many as 5,000 units of housing that would not otherwise be built and leverage as much as \$1 billion in additional financial resources.

DHCD advises that it had offered priority to developers applying for State funds for mixed-income rental projects but ceased doing so due to lack of interest. Developers seeking State aid frequently build units that are 100% affordable rather than mixed income to take full advantage of a federal tax credit.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/ljm

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