

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 449

(Delegate McIntosh)

Environmental Matters

Education, Health, and Environmental Affairs

**Housing - Community Development Administration - Financial Assistance
Programs for Purchasing a Home Near Work**

This bill requires the Department of Housing and Community Development (DHCD) to administer two financial assistance programs to assist buyers with purchasing homes near their place of employment: (1) provide home low-interest mortgage loans, including down payment and closing costs assistance options, and coordinate with and match similar programs offered by local governments and private employers; and (2) codifies a program known as “Live Near Your Work” (LNYW) that offers matching grants to buyers purchasing homes in designated neighborhoods.

In addition, the Governor, in fiscal 2007 and 2008, may include \$250,000 in the budget of DHCD for the LNYN program. Beginning in fiscal 2009, the Governor may budget at least \$250,000 and not more than \$500,000 annually for the program.

Fiscal Summary

State Effect: General Fund expenditures could increase by \$250,000 annually beginning in FY 2007 to fund the LNYW program if the bill’s intent is followed. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	250,000	250,000	250,000	250,000
Net Effect	\$0	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

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

Local Effect: Local expenditures would increase as jurisdictions that participated in this program would provide a \$1,000 grant to each new homebuyer.

Small Business Effect: Small businesses that choose to participate would be required to provide a grant of \$1,000 to each employee that participated in the program; however the effect will be minimal as the program is voluntary.

Analysis

Bill Summary: The bill states the intent of the General Assembly that DHCD actively work with private employers, local governments, nonprofit organizations and other units of State government to offer financial assistance under LNYW and the mortgage assistance program to homebuyers who seek to buy homes near their place of employment. DHCD must adopt regulations to implement LNYW. DHCD must report to the General Assembly by December 31 annually about LNYW and the mortgage assistance program.

Current Law: A project qualifies as a community development project if the project is altered to promote sound community development. Community development projects must provide housing that is at least 20% or more occupied by families of limited incomes, and any public infrastructure improvements such as roads or sewer and water lines needed to support the housing. They must also provide for public or private commercial educational, cultural, recreational, community, or civic facilities to support the housing.

A community development project is exempt from the requirement that at least 20% of housing be occupied by families of limited income if the project is in a designated neighborhood and provides employees with financial assistance to purchase homes near their workplace.

Background: The Live Near Your Work (LNYW) program, established by regulation in 1997, was a cooperative effort by the State, participating local jurisdictions, and participating employers to provide an incentive for employees to purchase a home near their workplace or in targeted neighborhoods. Under the program, eligible employees received a total grant of \$3,000 – \$1,000 each from their employer, the local jurisdiction, and the State (through DHCD) – to assist with the costs associated with purchasing a home. The employee must also contribute at least \$1,000. State employees became eligible for the program in 2001.

The LNYW program received State funds in fiscal 1998 through 2003 totaling \$1.35 million and awarded 997 grants, including 748 non-State employees and 249 State

employees. From fiscal 1998 through fiscal 2000, State funding for LNYW was \$300,000 annually. State funding decreased to \$200,000 in fiscal 2001, \$100,000 in fiscal 2002, and \$150,000 in fiscal 2003, the last year the program was funded. Eight jurisdictions participated in LNYW, including Baltimore City, College Park, Hagerstown, Westminster, Salisbury, and Baltimore, Prince George's, and Montgomery counties. Baltimore City continues to operate a similar program, as does Salisbury.

The Maryland Mortgage Program (MMP) and the Downpayment and Settlement Expense Program (DSELP), administered by the Community Development Administration (CDA) provide low-interest mortgage loans, down payment, and closing cost assistance (up to \$3,000) to eligible homebuyers with low- to moderate-income households through private lending institutions throughout the State.

MMP began in 1980 and is targeted primarily to first-time homebuyers. DSELP began in 1988 and is only available to homebuyers seeking a MMP first mortgage. There are income limits, depending on county of residence, as to eligibility for MMP and DSELP assistance. The average MMP mortgage was approximately \$107,687 in fiscal 2004 while the average DSELP assistance was \$2,943 in fiscal 2004. MMP assisted 1,270 homebuyers in fiscal 2004 to purchase their homes. MMP estimates that it will assist 1,600 in fiscal 2005, and seeks to assist 2,500 in fiscal 2006.

Although mortgages on newly constructed homes must be in a priority funding area, mortgages for existing homes do not; therefore an individual could seek assistance to purchase an existing home located close to their place of employment under MMP.

State Expenditures: Assuming that the Governor includes funds in the budget to fund LNYW at suggested levels, general fund expenditures could increase by \$250,000 annually beginning in fiscal 2007. Although historically funding for LNYW peaked at \$300,000, it is assumed that the Governor would provide the lowest suggested funding level of \$250,000 in fiscal 2009 and beyond.

Based on funding of \$250,000 annually, DHCD advises that it requires two program administrators to administer the program. If the Governor were to fund LNYW, based on the current workload of DHCD employees in its homeownership programs, Legislative Services advises that the program could be managed with one additional employee. As of December 31, 2004, DHCD had two vacant positions that could be used to staff this position; therefore, additional funding for staffing would not be required.

Requiring DHCD to operate a mortgage assistance program will have no fiscal impact on DHCD. DHCD already operates a mortgage assistance program providing down payment and closing cost assistance that is available to an individual seeking to buy a

primary residence near their place of employment. This requirement merely codifies existing practice.

Local Fiscal Effect: Local jurisdictions that chose to participate in the program could be offering a grant of \$1,000 per homebuyer, if the Governor chooses to include funding in the program for LNYW.

In the past, Baltimore City received the majority of the State funding for this program (75%). Baltimore City continues to operate a similar program by the same name, providing a \$1,000 grant to new homebuyers matched by their employers. Adding DHCD grants to these grants would result in no increase in expenditures for Baltimore City, but could result in additional participants due to the greater incentive.

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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