SB 126

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 126 (Chairman, Education, Health, and Environmental Affairs Committee)
(By Request – Departmental – Housing and Community Development)

Education, Health, and Environmental Affairs Environmental Matters

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Department of Housing and Community Development - Partnership Rental Housing Program - Individuals with Disabilities

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This departmental bill provides that the Department of Housing and Community Development (DHCD) may provide financial assistance through the Partnership Rental Housing Program (PRHP) to private developers to construct, acquire, or renovate rental housing units occupied by lower-income households that include one or more individuals with disabilities or special needs.

Fiscal Summary

State Effect: None. The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, the department could handle them with existing resources.

Local Effect: Local government expenditures could decrease due to the removal of a requirement for an increased financial contribution to each project or increase due to increased participation of local jurisdictions in PRHP projects due to eased restrictions.

Small Business Effect: DHCD has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill authorizes the use of PRHP for a unit of partnership rental housing that is not owned in whole or in part by a political subdivision or housing authority to private developers to construct, acquire, or renovate rental housing units as long as the unit is occupied by a lower-income household that includes one or more individuals with disabilities or special needs. Such a project must also meet the requirements of any other State housing program providing funding, including requirements for local support or contribution to the cost of the project.

The Secretary is authorized to set income limits at his/her discretion for the occupants of units financed under the program for both initial occupancy and continued occupancy, including, but not limited to, units owned by private developers and occupied by lower-income disabled or special needs households.

The bill also removes the requirement for an increased local contribution to each subsequent PRHP project a political subdivision undertakes, as long as the local political subdivision contributes an amount equal or in excess of the value of the land for the project.

Current Law: PRHP may provide financial assistance to local governments and housing authorities to develop, have an ownership interest in, and manage affordable rental housing for lower-income households. The project must be self-sustaining without further State contributions.

Private sector entities are eligible for financial assistance under PRHP to acquire, construct, reconstruct, renovate, or rehabilitate housing units for sale either directly to political subdivisions or housing authorities, or to partnerships that include political subdivisions and housing authorities.

Local authorities must contribute the land or fund the part of the acquisition cost of the property that is attributable to the value of the land from non-State sources, have an ownership interest in the property, and must be responsible for its maintenance and operation. In addition to the contribution of either the land or its equivalent value, there is an additional local contribution, which increases for every subsequent project undertaken.

A household is eligible if the gross annual income does not exceed either 50% of the State median income, or alternatively a guideline the Secretary sets for a particular project.

Background: According to the 2000 U.S. Census, an estimated 33% of Maryland households pay more than 30% of their income in rent. Additionally, quality affordable rental units are increasingly scarce. The 2004 final report of the Governor's Commission on Housing Policy indicates there will be a shortfall of 29,000 affordable rental units for individuals with disabilities from 2005 to 2015.

DHCD has pledged to take steps to try and mitigate this shortfall, through creative partnerships with private entities and local authorities. Compounding the problem is that, as DHCD advises, many individuals with disabilities make less than 50% of the State median income; many make 30% or less. According to census data from 2000, affordable rental housing for individuals making less than 30% of the median area income (extremely low-income individuals) is in extremely short supply nationwide, including in Maryland; 70% of extremely low-income households in Maryland pay more than 30% of their annual income for rent, 53.8% pay more than 50%.

PRHP was created in 1990 to encourage local governments and housing authorities to develop, own, and manage affordable rental housing. The program provides funding for the cost of development. No repayment is required as long as the project continues to meet program requirements. DHCD advises that it has other programs that are targeted at households that make 50% or more than the State median income; PRHP is targeted at households with even lower incomes.

PRHP has funded 63 projects since 1990, with an average of 4 projects funded a year. The average cost of a project is $6.9 million, and the average PRHP loan is $2.3 million per project. The average project size is 50 units of housing. These figures include $65 million or more in PRHP funds designated by the General Assembly for the Baltimore City public housing replacement initiative.

State Fiscal Effect: The fiscal 2007 budget includes an allowance of $6 million in general funds for the capital appropriation for PRHP. DHCD would use funds already allocated to the PRHP and could process applications for loans for acquisition of multifamily rental housing with existing resources. Other changes are technical in nature and would have no fiscal impact.

Local Fiscal Effect: DHCD advises that the increased local financial contribution requirement for PRHP projects has reduced the number of projects funded, as local political subdivisions are often loathe to undertake projects for fear of increasing the cost of a more needed project down the road. Regardless of the acquisition costs of the project, each project means that the political subdivision is committing to spend at least that amount on every subsequent project.

Local governments no longer subject to the increased contribution requirement for each additional project may choose to initiate extra projects through the program; as such, local expenditures would increase. Alternatively, if local governments do not initiate additional projects as a result of the bill, local expenditures could decrease due to the removal of the increased contribution requirement. Expanding eligibility for the program could result in more projects being funded, but a reduced loan amount for each project. PRHP loans are made on a "first come, first serve" basis; an increase in the number of applicants for funds could result in disqualification based on the timing of the application for projects that would previously been funded.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): National Low Income Housing Coalition, Department of Housing and Community Development, Department of Legislative Services

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