

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 423

(Delegate McIntosh)

Environmental Matters

Education, Health, and Environmental Affairs

Workforce Housing Grant Program - Fund Establishment - Administrative Clarifications

This bill establishes the Workforce Housing Grant Fund in the Department of Housing and Community Development (DHCD) and authorizes the Workforce Housing Grant Program (WHGP) to offer grants to workforce housing programs.

Fiscal Summary

State Effect: None. The bill establishes a fund for an existing program and alters how program grants may be distributed. Any increase in administrative expenditures could be handled with existing resources.

Local Effect: The bill primarily alters how existing funds may be used; however, expanding eligibility for WHGP could result in lower grants for each jurisdiction.

Small Business Effect: Expanding the types of programs that are eligible for WHGP grants could benefit small landlord and other small businesses not eligible for assistance previously under WHGP.

Analysis

Bill Summary: The fund consists of money appropriated by the State, repayments of principal and payments of interest for WHGP grants, amounts paid in connection with transfers of homeownership workforce housing units, and investment earnings of the fund. WHGP must be operated using the fund. WHGP is no longer limited to providing

funds for capital costs for development of units; instead, it is to provide funds to workforce housing programs, including ones that finance development costs.

When selling a workforce unit, the original buyer must pay to DHCD the lesser of 20% of the net proceeds of transfer, or a 5% annual return on the program funds provided for the unit. Net proceeds of transfer does not include reasonable costs paid by the original owner, the combined amount of WHGP funds and local funds used to develop the workforce unit, and other liens as permitted by regulation by DHCD.

In addition, when calculating whether a local government has met the match requirement, DHCD may consider the local government's administrative costs, as well as financial commitments to other affordable and workforce housing initiatives. A local government may request that DHCD expend its grant money through existing programs.

Current Law: WHGP was established by Chapter 483 of 2006 to provide flexible capital funds to qualifying local governments (either a county or municipal corporation) for "development costs" of workforce housing located in a priority funding area. It is not funded in the Governor's proposed fiscal 2008 budget. The Secretary of Housing and Community Development can adopt criteria for program eligibility and must establish annually the maximum amount of funds that a county may use to develop a unit of workforce housing. Program funds are limited to what is included in the State budget.

"Workforce housing" is rental housing affordable to households who make between 50% and 100% of the area median income (AMI), and homeownership housing affordable to households that make between 60% and 120% of AMI, or 60% to 150% of AMI in areas targeted by the Secretary of Housing and Community Development for the Maryland Mortgage Program. "Affordable housing" is defined as housing that costs 30% or less of household income.

A local government qualifies for participation in the program if it has a five-year comprehensive plan approved by the U.S. Department of Housing and Urban Development, or a comprehensive plan. Funding is distributed among local governments based on population. A qualifying local government provides an equal match for any WHGP funds it receives.

Rental units must remain workforce housing for at least 25 years. If DHCD agrees, a unit developed with WHGP funds can include a "household of low or moderate income." The WHGP grant is repaid when the initial buyer transfers title to the property. In addition, the buyer must assign 20% of the net proceeds of a transfer to DHCD.

Background: The fiscal note for Chapter 483 of 2006 (HB 1160) assumed that a viable program would necessitate an appropriation of at least \$10 million annually using either general obligation bonds or general fund PAYGO.

Although DHCD is not directly issuing WHGP grants, DHCD advises that it is addressing the need to provide grants to support workforce housing through its Downpayment and Settlement Expenses Loan Program (DSELP) and through its revised Live Near Your Work program for homebuyers who use DHCD mortgages. Live Near Your Work as revised offers a grant equal to 3% of the mortgage amount if the home is within 10 miles of their workplace or within the boundaries of the employer's local jurisdiction.

DHCD advises that it intends to dedicate \$7.0 million to DSELP in fiscal 2008 through its Homeownership Program. The Homeownership Program is expected to generate \$8.6 million in interest and loan repayments in fiscal 2008, which will be used to support DSELP and the Maryland Home Financing Program. Legislative Services advises that funding for Live Near Your Work is not included in the proposed State budget.

State Fiscal Effect: The bill establishes a fund for an existing (unfunded) program. It does not increase funding for the program, nor does it mandate funding. Any administrative expenditures to establish the fund and provide budgetary oversight could be handled with existing resources. Other changes primarily alter how WHGP funds can be distributed.

Local Fiscal Effect: The bill alters the requirement for a dollar-for-dollar match. DHCD is authorized to consider financial commitments to other affordable or workforce housing initiatives to determine if a local government has met the match. In addition, a local government can request that DHCD administer the grants; allowing these changes could result in no additional expenditures for a local government even if a recipient of a grant.

Other changes in the bill primarily alter how potential WHGP grants can be distributed. Local jurisdictions could benefit from expanded eligibility for the program; permitting other types of programs to receive WHGP funds could allow a local jurisdiction to increase expenditures for existing workforce housing programs. However, expanding eligibility for potential grants could result in smaller grants for each jurisdiction.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Nora C. McArdle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510