

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 982 (Senator Conway)
Education, Health, and Environmental Affairs

**Maryland Affordable Housing Trust - Award Criteria - Preference for
Multijurisdictional Applicants**

This bill requires that the process used by the Board of Trustees of the Maryland Affordable Housing Trust (MAHT) for making awards give preference to multijurisdictional applicants.

Fiscal Summary

State Effect: None. The bill primarily alters the criteria for which existing funds may be used. Overall finances of MAHT are not affected.

Local Effect: The bill is not anticipated to significantly affect local government finances. However, the bill could affect the distribution of awards provided by MAHT. As a result, some local governments that apply for MAHT awards may be positively affected, while others may be negatively affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The General Assembly created MAHT in 1992 to make affordable housing more available throughout the State. MAHT supports affordable housing for households earning less than 50% of median income. Eligible MAHT applicants include nonprofit organizations, public housing authorities, government agencies, and profit-motivated entities.

The trust is governed by a 14-member board of trustees and staffed by the Department of Housing and Community Development. The 11 voting members of the board are required to (1) receive applications for awards; (2) make the final decision about the awards; and (3) develop a process for making awards that encourages a broad geographic distribution of funds.

The statutory purpose of the trust, as it relates to awards, is to require the board to use the trust to make awards to (1) help acquire, build, rehabilitate, or preserve affordable housing; (2) help nonprofit organizations develop affordable housing; and (3) help promote affordable housing by contributing to the payment of the operating expenses of housing developments.

Background: MAHT normally holds two funding rounds per year, generally in January and August. The maximum award amount is \$150,000. From October 1, 1992, through June 30, 2013, 701 awards totaled \$41.6 million, including 28 multijurisdictional awards totaling \$3.4 million. **Exhibit 1** summarizes MAHT activities funded during that period. According to MAHT program guidelines, MAHT allocates up to 15% of its funds for capacity building and predevelopment costs, with the balance allocated for capital costs and operating and supportive services.

Exhibit 1
Maryland Affordable Housing Trust Activities Funded
October 1, 1992, through June 30, 2013

Predevelopment costs	\$2,801,345
Capital projects	28,335,106
Operating assistance	4,370,230
Nonprofit capacity building	2,087,375
Working capital loans (FY 2003)	250,000
Support services (including homeownership counseling and Home Owners Preserving Equity “Hope” initiative)	3,730,292
Total	\$41,574,348

Source: Maryland Affordable Housing Trust

MAHT is funded primarily by a portion of the interest generated by title company escrow. Recent enforcement efforts to ensure that title companies comply with MAHT law and regulations have also recouped additional revenues for the trust. MAHT may also solicit funds from any source. Prior to fiscal 2010, the trust received interest earned on the cash balances held in the State Treasury. However, Chapter 484 of 2010 required those earnings to be added to the general fund of the State. In the past, significant funding for the trust has also come in the form of a general fund appropriation in 2006 and a Maryland Consolidated Capital Bond Loan awarded in 2010.

Exhibit 2 provides a breakdown of revenue sources for the trust from October 1, 1992, through June 30, 2013. The exhibit also reflects awards that have been cancelled or decreased and the return of unused funds and loan repayments.

Exhibit 2
Maryland Affordable Housing Trust Expenditures
October 1, 1992 through June 30, 2013

Revenue from interest earned by title companies	\$33,861,716
Revenue recovery via Maryland Insurance Administration enforcement action	1,363,469
Interest earned on the MAHT account with the Treasurer (Oct. '92-June '09)	3,132,305
Awards cancelled or decreased	2,821,967
Return of unused funds, loan repayments	1,493,362
Donations	13,359
2006 general fund appropriation	1,000,000
Maryland Consolidated Capital Bond Loan of 2010	2,000,000

Source: Maryland Affordable Housing Trust; Department of Budget and Management

Small Business Effect: To the extent that small businesses apply for MAHT awards, they may be affected by the bill. Those entities that apply for single jurisdiction awards may be negatively affected, while those that apply for multijurisdictional awards may be positively affected.

Additional Information

Prior Introductions: None.

Cross File: HB 829 (Delegate Pena-Melnyk, *et al.*) - Environmental Matters.

Information Source(s): Department of Housing and Community Development, Maryland Association of Counties, Maryland Municipal League, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2014
mc/lgc

Analysis by: Joshua A. Lowery

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