

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 943 (Delegate Bridges)  
 Environment and Transportation Education, Health, and Environmental Affairs

Community Development Administration – Live Near Your School Program –  
 Establishment

This bill authorizes the Community Development Administration (CDA) within the Department of Housing and Community Development (DHCD) to administer the Live Near Your School Program (LNYS) and a related home buyer assistance program. The home buyer assistance program is authorized to assist current students and recent graduates, as defined by the bill, in receiving *low-interest loans* to purchase homes near the public institution of higher education attended by the individual. In addition, LNYS is authorized to administer community development projects that provide current students and recent graduates with *grants* to buy homes in sustainable communities that are near the school attended by the student or graduate. **The bill terminates September 30, 2024.**

Fiscal Summary

**State Effect:** General fund expenditures increase by \$537,700 in FY 2022, assuming implementation of the program, to capitalize and administer the loan program; future years are annualized and reflect ongoing costs and the termination of the program after FY 2024. Additional general funds may be needed to provide matching grants. Special fund revenues from loan repayments increase by an indeterminate amount, as discussed below.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	-	-	-	-	-
GF Expenditure	\$537,700	\$704,700	\$706,500	\$0	\$0
Net Effect	(\$537,700)	(\$704,700)	(\$706,500)	-	-

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

**Local Effect:** Local expenditures increase to the extent that local governments choose to provide financial assistance, as contemplated by the bill. Local revenues are not affected.

**Small Business Effect:** Minimal.

## Analysis

### Bill Summary:

#### *Definitions*

“Current student” means an individual who (1) attends a public institution of higher education in the State and (2) is a degree-seeking, full-time equivalent student in an undergraduate level, graduate level, or professional degree program.

“Recent graduate” means an individual who, within five years before applying for assistance under either program, graduated from a public institution of higher education in the State with at least 120 credits in an undergraduate level program or 30 credits in a graduate level or professional degree program.

#### *Home Buyer Assistance Program*

CDA may administer a home buyer assistance program that (1) assists current students and recent graduates to receive low-interest mortgage loans, with down payment and closing cost assistance options, for the purchase of homes near the school attended by the student or graduate; (2) coordinates with, and matches where appropriate, similar programs offered by public institutions of higher education, private employers, and county and municipal governments to maximize the total amount that current students and recent graduates can receive under the program; (3) authorizes a public institution of higher education to provide matching funds to a home buyer who receives assistance, as specified; and (4) uses available funding sources.

CDA may (1) allow home buyers to use the loans for the purchase of newly constructed or existing homes; (2) require a home purchased under the program to be occupied by the home buyer as a principal residence; and (3) use available funding sources.

CDA may facilitate the marketing of the program with specified entities and adopt regulations to carry out the bill’s provisions relating to this program with existing funding for the marketing of current programs of DHCD, if available. Annually, by December 31, DHCD must report to the General Assembly on the program.

#### *Live Near Your School Program – Community Development Projects*

Under LNYS, CDA may administer community development projects that (1) are in sustainable communities and (2) provide current students and recent graduates with financial assistance in the form of grants to buy homes near the school attended by the student or graduate.

A community development project administered under these provisions is not subject to specified provisions of current law that require part of the housing to be occupied by families of limited income. CDA must adopt regulations to implement LNYS.

**Current Law:**

*Home Buyer Assistance Program*

CDA must administer a home buyer assistance program that (1) assists home buyers to receive low-interest mortgage loans, with down payment and closing cost assistance options, for the purchase of homes near their workplace and (2) coordinate with, and match where appropriate, similar programs offered by private employers and county and municipal governments so as to maximize the total amount that home buyers can receive under the program. CDA must (1) allow home buyers to use the loans for the purchase of newly constructed or existing homes and (2) require a home purchased under the program to be occupied by the home buyer as a principal residence.

In addition, CDA must facilitate the marketing of the program with private employers, county and municipal governments, and, where appropriate, other units of State government and nonprofit organizations. CDA must also adopt regulations to implement the program.

*Live Near Your Work Program – Community Development Projects*

CDA must administer community development projects that (1) are in sustainable communities and (2) provide employees with financial assistance in the form of grants to buy homes near their workplaces. A community development project administered pursuant to these provisions is not subject to specified provisions that require that part of the housing be occupied by families of limited income.

*Community Development Projects – Generally*

A project qualifies as a community development project if it meets specified housing, infrastructure, and facilities requirements that promote sound community development. A project qualifies as a public purpose project if it is undertaken with the financial assistance of CDA or the assistance of federal low-income housing credits authorized by the Internal Revenue Code and is (1) eligible wholly or partly for federal low-income housing credits or (2) in a location designated as a distressed area by the Secretary of Housing and Community Development. A project qualifies as a rental housing project if (1) its purpose is to acquire, construct, or rehabilitate real property or all or part of a building or improvement that will be occupied by households of limited income and (2) a portion of

the rental units in the project are set aside for households of lower income for the greater of 15 years or the number of years required by federal law.

A community development project may include specified public or private facilities that are not needed to support housing if they are less than a substantial part of the project or if the Secretary of Housing and Community Development finds that they will promote sound community development.

### *Maryland Mortgage Program*

The Maryland Mortgage Program (MMP), administered by CDA, provides below-market, fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. MMP has annual income requirements limiting who can apply for a loan through the program. Income requirements vary by location and whether the home is in a “targeted area.”

SmartBuy 2.0, a program within MMP, offers qualified homebuyers up to 15% of the home purchase price for the borrower to pay off their outstanding student debt with a maximum payoff amount of \$30,000. To qualify for the program, homebuyers must have an existing student debt with a minimum balance of \$1,000, and the full outstanding student loan balance of at least one of the homebuyers must be paid off at the time of purchase.

### *Sustainable Communities*

A sustainable community is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

**State Fiscal Effect:** DHCD advises that, consistent with its implementation of the existing Live Near Your Work Program and related home buyer assistance program, the primary form of financial assistance it anticipates providing under the bill is low-interest loans (under the home buyer assistance program) to subsidize down payments and closing costs for eligible students and recent graduates. LNYS will be used only to match – in the form of grants – any additional assistance provided by educational institutions, employers, or local governments. Thus, only LNYS (and not the home buyer assistance program) will be used to provide matching funds.

Neither DHCD nor the Department of Legislative Services is aware of available funding sources that may be used for these programs, as authorized by the bill. Therefore, general funds are assumed to be needed, to the extent that CDA elects to operate the programs.

*Home Buyer Assistance Program – Loans*

For the loan program to be viable, DHCD advises that it needs to have at least 100 program participants each year. DHCD also assumes that loans offered under the program need to total approximately \$6,000 per participant, resulting in \$600,000 annually in general fund expenditures – through fiscal 2024 – to capitalize the loan program. To satisfy the bill’s requirement for marketing, DHCD advises that, consistent with marketing costs for similar programs, annual marketing and advertising costs (for printed material and other outreach efforts) of \$50,000 are anticipated to support the program and attract new program participants. In addition, DHCD needs to hire staff to administer the loan program.

Therefore, general fund expenditures increase by at least \$537,698 in fiscal 2022, which accounts for the bill’s October 1, 2021 effective date. This estimate reflects funds necessary to capitalize the loan program (for down payment and closing cost assistance) and the cost of hiring one contractual financial analyst to administer the loan program. It includes, a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses (including marketing).

Contractual Position	1.0
Salary and Fringe Benefits	\$44,617
Loans (Down Payment/Closing Cost Assistance)	450,000
Marketing Expenses	37,500
Other Operating Expenses	<u>5,581</u>
<b>Minimum FY 2022 DHCD Expenditures</b>	<b>\$537,698</b>

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Future year expenditures reflect (1) a full salary with annual increases and employee turnover and ongoing operating expenses (including marketing) and (2) the need for continued capitalization funds (\$600,000 annually) in order to provide loans under the program.

This analysis assumes the termination of the contractual position, capitalization funds, and marketing expenses after fiscal 2024. This analysis assumes that loans are not made in fiscal 2025, despite the bill's September 30, 2024 termination date.

Special fund revenues increase from loan repayments, but a reliable estimate of such revenues cannot be quantified at this time, as the terms of the loans are unknown, although loan repayments likely continue beyond the life of the program.

#### *Live Near Your School – Matching Grants*

This analysis does not reflect any impact on public institutions of higher education to provide similar financial assistance under LNYS, which is authorized, but not required, under the bill. Likewise, because the extent to which any financial assistance will be provided by public institutions of higher education, local governments, and employers is unknown, this analysis also does not reflect any costs for DHCD to match those funds. To the extent that financial assistance is provided by public institutions of higher education, local governments, and employers under the bill, DHCD may require additional general funds to match those funds in the form of grants.

It is anticipated that the contractual financial analyst hired under the bill to administer the home buyer assistance program can also administer the grant program to the extent it materializes.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 637 (Senator Hayes) - Education, Health, and Environmental Affairs.

**Information Source(s):** Department of Housing and Community Development; Department of Commerce; Baltimore City Community College; University System of Maryland; Morgan State University; Maryland Municipal League; Department of Legislative Services

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