

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 238

(Chair, Education, Energy, and the Environment
Committee)(By Request - Departmental - Housing and
Community Development)

Education, Energy, and the Environment

Environment and Transportation

**Department of Housing and Community Development - Maryland Housing
Rehabilitation Program - Local Rehabilitation Program Administration**

This departmental bill expands the entities eligible to administer local rehabilitation programs under the Maryland Housing Rehabilitation Program (MHRP) in the Department of Housing and Community Development (DHCD) to include nonprofit sponsors. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State operations or finances.

Local Effect: The bill is not anticipated to materially affect local government operations or finances. Some local jurisdictions may receive less MHRP funding to the extent that more funding is provided to nonprofit sponsors to administer local programs, but the effect on any individual local jurisdiction is expected to be minimal due to the program's funding guidelines.

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

Analysis

Current Law:

Maryland Housing Rehabilitation Program

MHRP provides funds for political subdivisions that meet DHCD standards to administer loans for the purposes of rehabilitating buildings that, after rehabilitation, provide (1) traditional dwellings; (2) single room occupancy; (3) shared living dwellings meeting specified requirements; and (4) congregate or group housing and related services or temporary shelters and related services. Barring certain exceptions, buildings that provide group housing are not eligible for program funding.

The program consists of the Regular Rehabilitation Program, which provides funding for single family projects, and the Special Loan Program, which provides funding for various types of shared housing and other specified purposes (such as lead abatement).

To ensure that all areas of the State are served, DHCD must allocate MHRP funding among the counties, taking into account (1) the number of families of limited income within each county; (2) the need for rehabilitation of buildings in each county; (3) the capability of the county to administer a local rehabilitation program; and (4) any other criteria DHCD deems relevant to make a fair and equitable distribution of funds among the counties.

DHCD may allocate funding on a countywide basis first and then make suballocations among participating municipalities within counties.

Definitions

A “local rehabilitation program” is defined as a rehabilitation program that uses loans under MHRP and is administered by a political subdivision.

A “nonprofit sponsor” is defined as (1) a nonprofit organization; (2) a political subdivision; or (3) a limited partnership formed to undertake a rehabilitation project that is eligible wholly or partly for federal programs or incentives, as specified.

Administration of Local Rehabilitation Programs

Only political subdivisions that meet certain standards set by DHCD are authorized to administer local rehabilitation programs.

DHCD is authorized to help train employees of political subdivisions to administer local rehabilitation programs under the standards the department sets. DHCD is also authorized

to provide advice and technical assistance to political subdivisions on the administration of their local rehabilitation programs, including loan packaging, contractor and bid selection, zoning, marketing, engineering, and related services.

If DHCD determines that a political subdivision cannot or does not want to administer a local rehabilitation program, DHCD may originate and administer program loans from the allocation or suballocation to that political subdivision.

Background: DHCD advises that it is currently absorbing the work of some local governments who previously administered local rehabilitation programs but have since cut their housing staff and programs. DHCD advises that there are nonprofit organizations willing to administer local programs and expanding the statutory authority to include them as eligible administrators lessens the administrative burden on both DHCD and local governments.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 127 (Chair, Environment and Transportation Committee)(By Request - Departmental - Housing and Community Development) - Environment and Transportation.

Information Source(s): Department of Housing and Community Development; Anne Arundel, Baltimore, Charles, Dorchester, Garrett, and Howard counties; Maryland Association of Counties; cities of Hagerstown and Laurel; Maryland Municipal League; Town of La Plata; Department of Legislative Services

Fiscal Note History: First Reader - January 17, 2025
js/mcr Third Reader - January 31, 2025

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Housing and Community Development - Maryland Housing Rehabilitation Program - Local Rehabilitation Program Administration

BILL NUMBER: SB 238

PREPARED BY: Chuck Cook

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This is only expected to impact contractors to work directly with DHCD, and is not expected to have an impact to the small business community, as a whole.