

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 938 (Senator Henson)
 Education, Energy, and the Environment

Community Development - Affordable Multifamily Rental Housing Stabilization Program - Establishment

This bill establishes the Affordable Multifamily Rental Housing Stabilization Program in the Department of Housing and Community Development (DHCD) to provide financial assistance to owners of private sector, affordable multifamily rental housing properties with emergency or urgent capital repair needs. For each of fiscal 2028 through 2031, the Governor may include in the annual budget bill an appropriation of \$5.0 million to the program. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$119,400 in FY 2027 for contractual staffing costs, and by \$5.0 million in FY 2028 through 2031 under the assumptions discussed below. Revenues may increase minimally from loan repayments, as discussed below.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.12	5.00	5.00	5.00	5.00
Net Effect	(\$0.12)	(\$5.00)	(\$5.00)	(\$5.00)	(\$5.00)

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

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “Eligible property” means a multifamily property that contains 15 or more units of low-income households and is in DHCDs loan portfolio.

The program may be used only to provide low- or no-interest loans or grants to property owners for repairs on eligible properties. DHCD must award funds to an owner of an eligible property for emergency or urgent capital repairs *only* if the owner provides documentation indicating the property does not have adequate operating or reserve funds available to pay for the repairs. Applications must be accepted on a rolling basis, and awards may not exceed \$1.0 million to an eligible property for repairs in a single fiscal year. DHCD must prioritize property repairs that will reduce operating costs at the eligible property.

Current Law: Among other responsibilities, DHCD administers several programs that provide financial assistance related to affordable housing. Examples of programs that specifically award grants and loans for affordable single-family or multifamily housing are described in more detail below.

Maryland Affordable Housing Trust

The Maryland Affordable Housing Trust promotes affordable housing for households earning less than 50% of area or Statewide median income by providing financial assistance for (1) nonprofit-developer capacity building and funding; (2) capital costs of rental and ownership housing; (3) supportive services for occupants of affordable housing; and (4) operating expenses of affordable housing developments.

Partnership Rental Housing Program

The Partnership Rental Housing Program provides funding to expand the supply of affordable housing for low-income households. Among other potential program participants, DHCD is authorized to provide financial assistance to political subdivisions or housing authorities to acquire, construct, reconstruct, renovate, or rehabilitate rental housing that is affordable to households of limited income. The fiscal 2027 capital budget as introduced includes \$8.0 million in general obligation (GO) bonds for the program.

Rental Housing Program

The Rental Housing Program is intended to, among other things, stimulate the production of rental housing and use available resources efficiently to serve households that are in need of quality affordable housing opportunities, including families, the elderly, and persons with disabilities or special needs. Loans may be issued to private or nonprofit sponsors, political subdivisions, or local housing authorities on behalf of sponsors of proposed rental housing units. The fiscal 2027 capital budget as introduced includes \$65.0 million in GO bonds, \$19.5 million in special funds, and \$9.0 million in federal funds for the program.

State Revenues: The bill authorizes grants and loans to eligible property owners. To the extent that DHCD awards loans rather than grants, it receives loan repayments with interest. Any such revenue is not reflected in this analysis as it is not known whether DHCD will award grants or loans, or some combination of both.

State Expenditures: The bill authorizes, but does not mandate, annual funding of \$5.0 million for fiscal 2028 through 2031, and does not specify whether the funding can (or cannot) be used for administrative expenses. This analysis assumes that the Governor includes the discretionary funding in the budget and, in the absence of a prohibition against using the funds for administrative costs, that funds may be used to cover personnel and other related costs.

DHCD has determined that two regular full-time administrative positions are needed to implement this bill. However, the Department of Legislative Services advises that the added responsibilities incurred by this legislation are not permanent and can likely be performed by two contractual administrators. As program funding is not available until fiscal 2028, this analysis assumes that contractual staff are hired as of January 1, 2027, to develop program guidelines and application procedures and carry out other start-up duties.

Thus, general fund expenditures increase by \$119,429 in fiscal 2027, which reflects a six-month start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one contractual program manager to manage and administer the new program (*e.g.*, develop regulations and program materials, and review applications) and one contractual financial analyst to administer loans, grants, and other accounting payment processing. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. General funds are needed in fiscal 2027 for program start-up before program funding becomes available in fiscal 2028, after which personnel and operating expenses are covered by the \$5.0 million annual appropriation. To the extent program funds are used for operating costs (estimated to be approximately \$200,000 each year), fewer funds are available for grants and loans to eligible properties.

Contractual Positions	2.0
Salaries and Fringe Benefits	\$102,536
Operating Expenses	<u>16,893</u>
Total FY 2027 State Expenditures	\$119,429

Future year expenditures reflect (1) full salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; (3) the addition of program funding in fiscal 2028; and (4) the termination of the contractual positions concurrent with the termination of the Governor's authorization to fund the program.

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.

To the extent that funding is maintained beyond fiscal 2031, the contractual positions may need to convert to permanent positions.

Small Business Effect: Small businesses that own affordable housing units benefit from State support for capital repairs.

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Department of Housing and Community Development; Department of Legislative Services

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