

**S00A**  
**Department of Housing and Community Development**

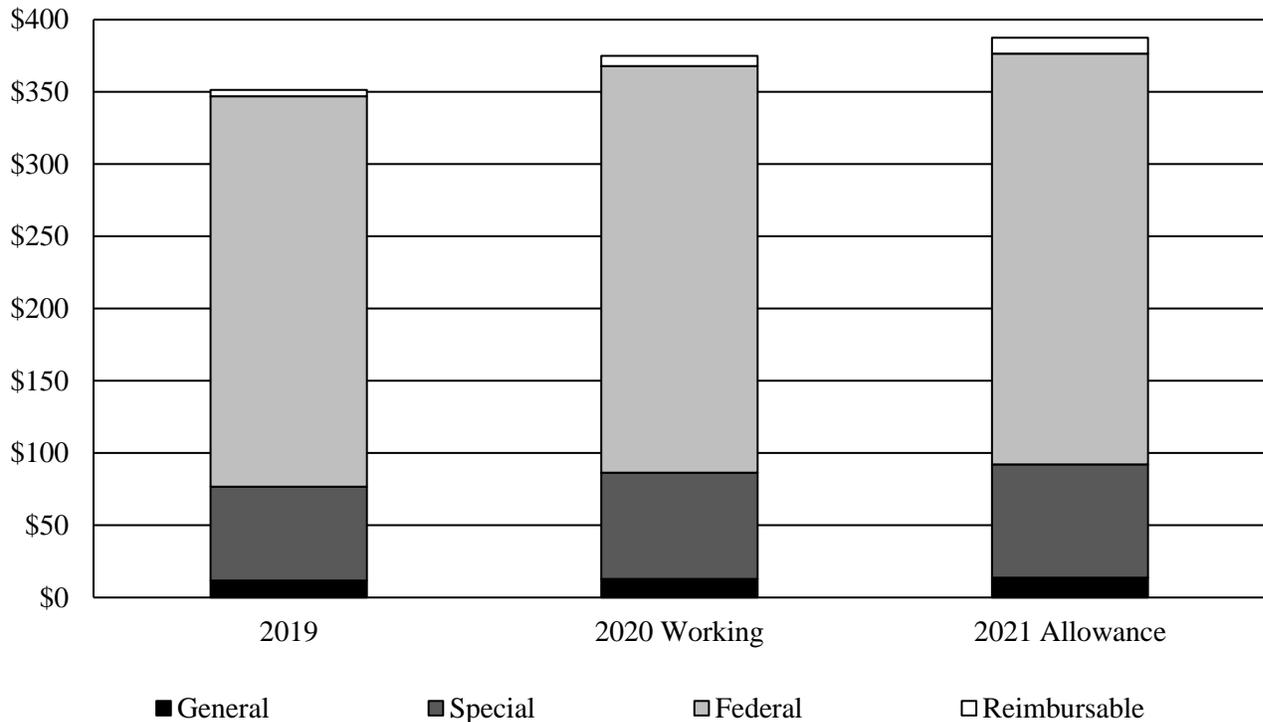
**Program Description**

The mission of the Department of Housing and Community Development (DHCD) is to work with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work, and prosper. The department’s programs are administered through three operating divisions: the Division of Development Finance, which includes the Community Development Administration (CDA); the Division of Neighborhood Revitalization; and the Division of Credit Assurance, which includes the Maryland Housing Fund’s mortgage insurance activities. CDA issues nonbudgeted tax-exempt and taxable bonds and mortgage-backed securities that are a major source of DHCD revenues.

***Operating Budget Summary***

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**Fiscal 2021 Budget Increases \$12.7 Million or 3.4% to \$387.5 Million**  
(\$ in Millions)



Note: The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

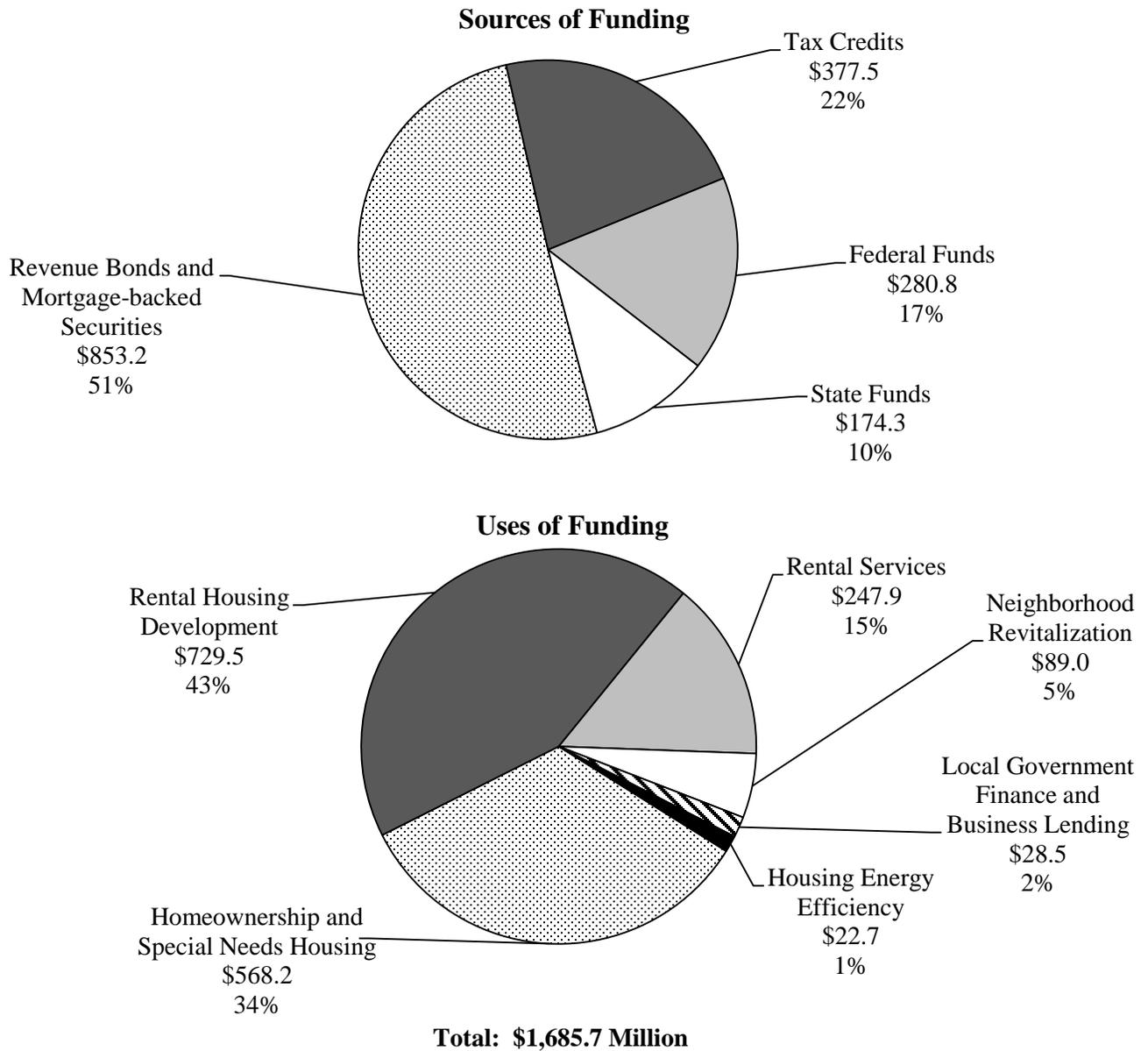
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- DHCD’s fiscal 2021 allowance grows by \$12.7 million, or 3.4%, compared to the fiscal 2020 working appropriation. General funds increase by \$1.0 million due to the Qualified Workforce Housing Tax Credit in opportunity zones, and reimbursable funds increase by \$4.1 million, or nearly 60%, due to additional support from the Maryland Energy Assistance Program (MEAP) as well as rental assistance for victims of sexual assault, domestic violence, and other crimes.

**Fiscal 2019 Funding Sources and Uses**

**Exhibit 1** shows the sources of DHCD’s funding, which includes both budgeted and nonbudgeted funds, and how DHCD used those funds to address Maryland’s housing needs in fiscal 2019. Almost three-quarters of DHCD’s funding sources in fiscal 2019 were nonbudgeted revenue bonds, securities, or tax credits that represent a return to about the same level as fiscal 2017 after a small drop in fiscal 2018 due to the value of low-income housing tax credits.

**Exhibit 1**  
**Sources and Uses of DHCD’s Operating and Capital Budgets**  
**Budgeted and Nonbudgeted Funds**  
**Fiscal 2019**  
**(\$ in Millions)**



DHCD: Department of Housing and Community Development

Source: Department of Housing and Community Development

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Funding is used as follows:

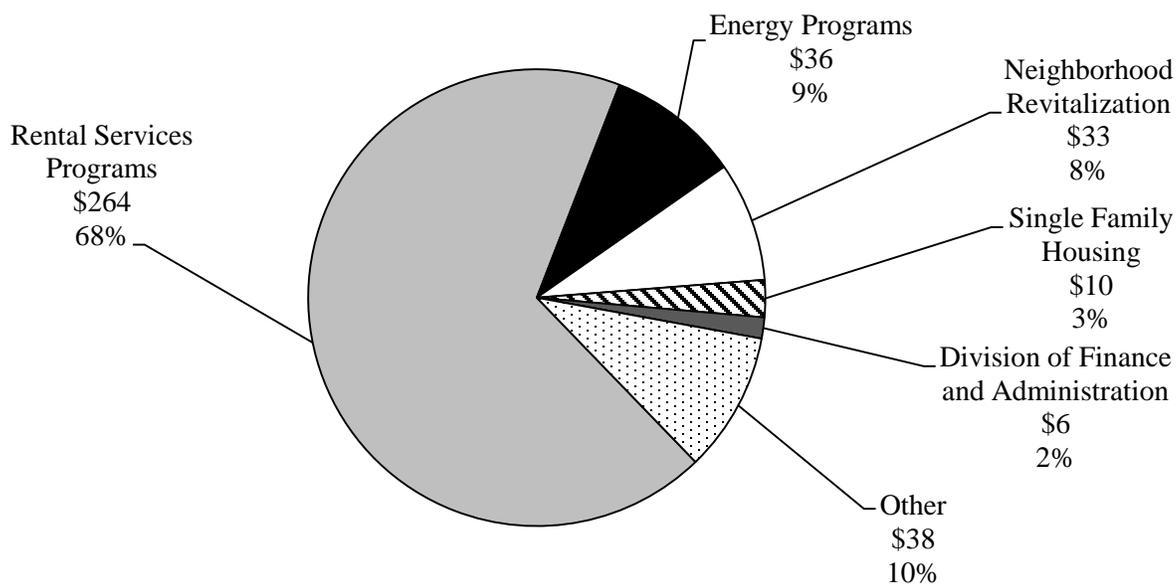
- ***Rental Housing Development:*** About \$729.5 million, or 43%, of DHCD funding in fiscal 2019 was used for the development of affordable rental housing. Nonprofits and for-profit developers and owners may access tax credits and below-market rate loans to help finance multifamily housing projects serving low-income families. Some loans are also available to local governments. Federal low-income housing tax credits are a crucial part of the financing for these projects. The loans are funded with State-appropriated rental housing funds, federal Home Investment Partnership Program funds, and the nonbudgeted proceeds of tax-exempt and taxable bonds.
- ***Homeownership and Special Needs Housing:*** About \$568.2 million, or 34%, of fiscal 2019 DHCD funding was used for homeownership and special needs housing programs. Those who meet certain income criteria can access loans with zero interest rates for down payment and settlement expenses to buy homes through programs like the Maryland Mortgage Program and the Down Payment and Settlement Expense Loan Program. Other single-family program activities support grants and loans for lead hazard reduction, indoor plumbing improvements, overall rehabilitation, and group home projects.
- ***Rental Services:*** Rental housing support also includes administration of State and federal rental subsidy programs, including the federal Section 8 Performance-Based Contract Administration and Housing Choice Voucher programs. Under these programs, DHCD provides rental assistance to low-income households through owners of covered units, local governments, or nonprofit subcontractors and monitors facilities across the State for compliance with Section 8 requirements under a contract with the U.S. Department of Housing and Urban Development (HUD). DHCD used \$247.9 million, or 15%, of its funding and financing for rental services programs in fiscal 2019.
- ***Neighborhood Revitalization:*** In fiscal 2019, about \$89 million, or 5%, of the agency's expenditures were neighborhood revitalization-related activities. Local governments, community development nonprofits, and others involved in improving communities may access grants, below-market rate loans, and technical assistance and training. Funds are used for projects such as streetscape and facade improvements, recreational amenities, and improvement of public spaces. Other programs provide funding for small business startups and expansions as well as demolition of derelict buildings, site acquisition, assembly, and development. In fiscal 2018, this division added several homelessness programs that were transferred from the Department of Human Services (DHS).
- ***Local Government Finance and Business Lending:*** In fiscal 2019, about \$28.5 million, or 2%, of the agency's funding went toward providing financing to small businesses through the Neighborhood BusinessWorks Program and the Local Government Infrastructure Finance Program.

- Housing Energy Efficiency:** In fiscal 2019, about \$22.7 million, or 1%, of the agency’s financing was related to improving energy efficiency in housing. The two largest energy efficiency programs are the Low Income Energy Efficiency Program (LIEEP), which allows low-income households to install energy conservation materials in their homes at no charge, and the federally funded Energy Efficiency Community Block Grant Program.

## Fiscal 2021 Overview of Agency Spending

As shown in **Exhibit 2**, the fiscal 2021 allowance is dominated by the Rental Services Program, which accounts for 68% of the \$387.5 million allowance. The primary purpose of the program is to administer project-based rental assistance and monitor low-income housing across the State for compliance with Section 8 requirements under a contract with HUD.

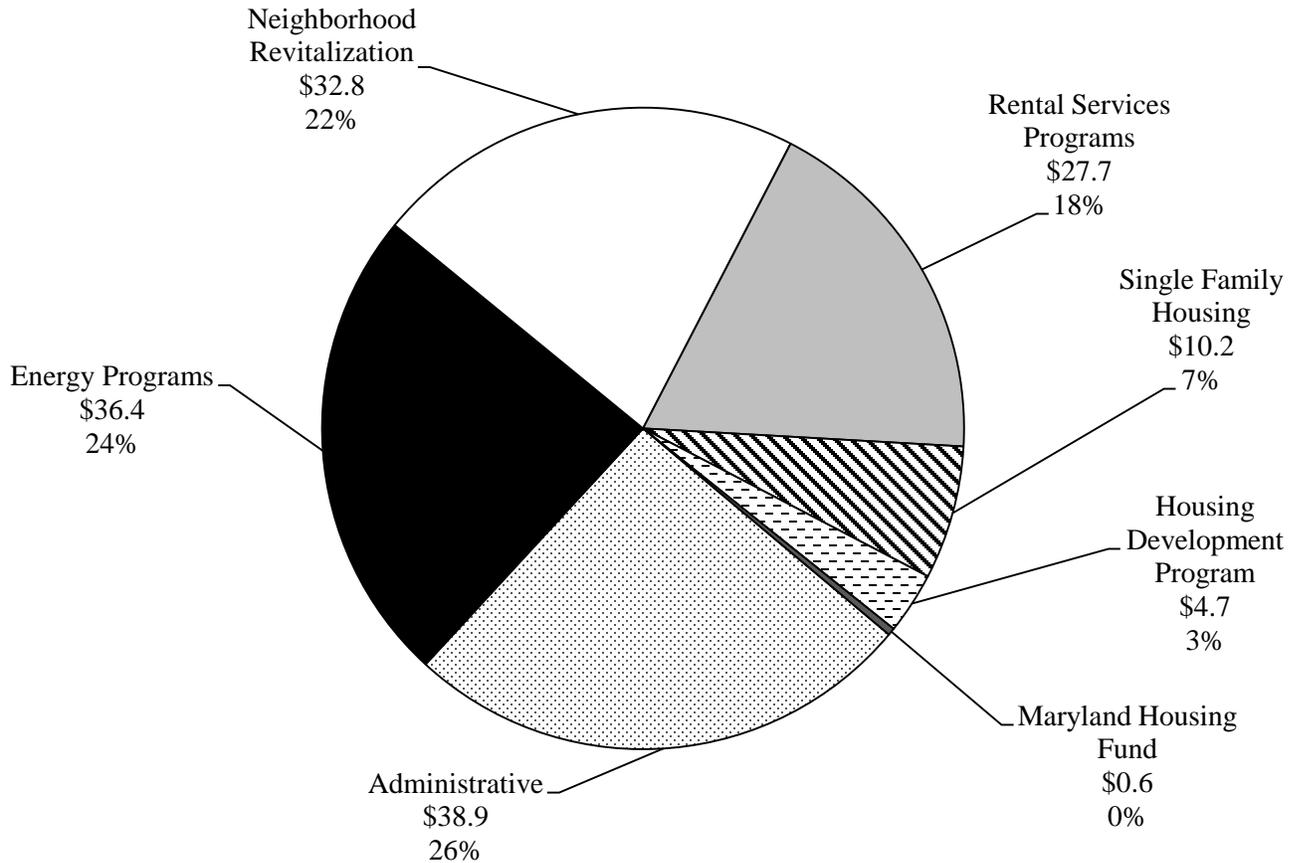
**Exhibit 2**  
**Overview of Agency Spending**  
**Fiscal 2021 Allowance**  
**(\$ in Millions)**



Source: Governor’s Fiscal 2021 Budget Books

To get a more detailed picture of DHCD’s fiscal 2021 allowance, **Exhibit 3** removes the \$236.3 million allowance for the Section 8 contract, including \$235 million in rental subsidies. Housing and Building Energy Programs account for almost a quarter of the non-Section 8 contract allowance, while Neighborhood Revitalization, which includes homelessness programs, accounts for 22%.

**Exhibit 3**  
**Agency Spending, Excluding Section 8 Administration Contract**  
**Fiscal 2021 Allowance**  
**(\$ in Millions)**



Source: Governor’s Fiscal 2021 Budget Books

**Proposed Budget Change**

As shown in **Exhibit 4**, the adjusted fiscal 2021 allowance increases by \$12.7 million compared to the fiscal 2020 working appropriation. General funds increase by a little over \$1 million, a 7.9% increase over the working appropriation. Reimbursable funds increase by nearly 60% to a little over \$4 million.

**Exhibit 4**  
**Proposed Budget**  
**Department of Housing and Community Development**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
Fiscal 2019 Actual	\$11,656	65,075	\$270,201	\$4,424	\$351,356
Fiscal 2020 Working Appropriation	12,795	73,513	281,549	7,008	374,865
Fiscal 2021 Allowance	<u>13,803</u>	<u>78,349</u>	<u>284,266</u>	<u>11,121</u>	<u>387,539</u>
Fiscal 2020-2021 Amount Change	\$1,008	\$4,837	\$2,716	\$4,113	\$12,674
Fiscal 2020-2021 Percent Change	7.9%	6.6%	1.0%	58.7%	3.4%

**Where It Goes:**

**Personnel Expenses**

	<b>Change</b>
Fiscal 2021 general salary increase (2% effective January 1, 2021).....	\$313
Employee retirement .....	301
Miscellaneous adjustments.....	293
Fiscal 2021 cost of fiscal 2020 general salary increase (1% effective January 1, 2020) .....	153
Salaries and wages .....	186
Other fringe benefit adjustments .....	14
Workers' compensation premium assessment .....	-43
Employee and retiree health insurance.....	-54
Turnover adjustments.....	-157
Reclassification .....	-466

**Neighborhood Revitalization**

Qualified Workforce Housing Tax Credit.....	1,000
Emergency Solutions Grant Program.....	-385
Circuit Rider Program .....	-500

**Energy Programs**

Washington Gas weatherization assistance.....	2,426
EmPOWER Program .....	2,337
Reimbursable funds for Maryland Energy Assistance Program .....	1,750
Weatherization Assistance Program (WAP) federal grants .....	1,500
Software to support EmPOWER and WAP programs .....	196
Maryland Energy Efficiency Tune-Up Program .....	190

**Rental Assistance**

Rental assistance for crime victims from Governor's Office of Crime Prevention, Youth, and Victim Services .....	2,300
Section 8 Voucher Program .....	1,400
Section 811 Project Rental Assistance demonstration project .....	200

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<b>Where It Goes:</b>	<b><u>Change</u></b>
Section 8 contract administration.....	195
Section 8 Moderate Rehab program.....	-100
Administrative costs.....	-100
Reimbursable funds for Housing Opportunities for People with HIV/AIDS.....	-113
<b>Other Changes</b>	<b>-161</b>
<b>Total</b>	<b>\$12,674</b>

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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### **Housing Tax Credit in Opportunity Zones**

The Opportunity Zone Incentives Act of 2019 (Chapter 211) established a tax credit for qualified workforce housing projects within opportunity zones. The housing must either be rental housing that is affordable to a household with an aggregate annual income between 50% and 100% of the area median income or homeownership housing that is affordable to a household with an aggregate annual income between 60% and 120% of the area median income. The total amount of credits awarded in each fiscal year cannot exceed the lesser of \$4 million or the amount of funds appropriated in the budget. The fiscal 2021 allowance includes \$1 million in general funds for the program.

### **Other Neighborhood Revitalization Programs**

The Emergency Solutions Grant Program is a federally funded homelessness program with a State match that supports emergency shelter operations, street outreach, rapid rehousing, and homelessness prevention. Federal funds in the allowance remain the same at \$1 million, while special funds fall from \$385,363 to nothing. DHCD hopes to have funding added.

DHCD’s Maryland Town Manager Circuit Rider grant program provides funds to small municipalities to form consortiums and hire public administration professionals who serve on a part-time basis in several towns. The program has received \$500,000 in fiscal 2019 and 2020, its first two years of funding. The fiscal 2021 allowance does not include funding for the program, but DHCD hopes to have funding added.

### **Energy Programs**

Funding for State energy efficiency programs increases by approximately \$6.7 million in the fiscal 2021 allowance. Of this, \$2.3 million is for EmPOWER Maryland to operate LIEEP, which helps low-income households undertake energy conservation projects in their homes at no charge. DHCD advises that the additional funding is typical, given that EmPOWER is entering the final year of its current three-year funding cycle. Weatherization assistance for Washington Gas’ low-income program, which is similar to EmPOWER Maryland but administered separately by DHCD, increases by a little over \$2.4 million. DHCD was awarded approximately \$4.3 million for the program, covering the period from February 2019 through March 2021, and expects to have \$2.3 million for fiscal 2020 added by

budget amendment. The increase for energy programs also includes additional funding for the Maryland Energy Efficiency Tune-Up Program, which is intended to extend the life of energy efficiency equipment installed under EmPOWER Maryland, as well as an additional \$1.75 million in reimbursable funds from DHS’s MEAP for furnace repair and replacement.

### **Rental Assistance for Crime Victims**

DHCD receives reimbursable funds from the Governor’s Office of Crime Prevention, Youth, and Victims Services to provide rental assistance to victims of domestic violence, sexual assault, and other crimes. Funding helps pay for application fees, monthly rent, one-time utility assistance, and security deposits. The program started in March 2017 and has helped 210 people receive housing from inception through September 2019. The fiscal 2021 allowance includes \$2.5 million for the program, which is an increase of \$2.3 million from the current year working appropriation. DHCD received a new multi-year funding award of \$4.5 million for the program in November 2019 and hopes to have funding added by budget amendment for fiscal 2020.

### **Budget Reconciliation and Financing Act Action**

The Budget Reconciliation and Financing Act of 2020 repeals the National Capital Strategic Economic Development Program, including an annual mandated appropriation from fiscal 2021 to 2025 of \$200,000 in general funds for operation of the program. The program did not receive funding in the operating budget in fiscal 2020, although the fiscal 2020 capital budget included \$4 million in general obligation bonds for the program. The purpose of the program is to (1) provide strategic investment in local housing and businesses to encourage healthy, sustainable communities with a growing tax base and enhanced quality of life; and (2) focus on areas where modest investment and coordinated strategies will have an appreciable neighborhood revitalization impact.

### ***Personnel Data***

	<b><u>FY 19</u></b> <b><u>Actual</u></b>	<b><u>FY 20</u></b> <b><u>Working</u></b>	<b><u>FY 21</u></b> <b><u>Allowance</u></b>	<b><u>FY 20-21</u></b> <b><u>Change</u></b>
Regular Positions	331.00	331.00	331.00	0.00
Contractual FTEs	<u>74.25</u>	<u>95.00</u>	<u>94.00</u>	<u>-1.00</u>
<b>Total Personnel</b>	<b>405.25</b>	<b>426.00</b>	<b>425.00</b>	<b>-1.00</b>

#### ***Vacancy Data: Regular Positions***

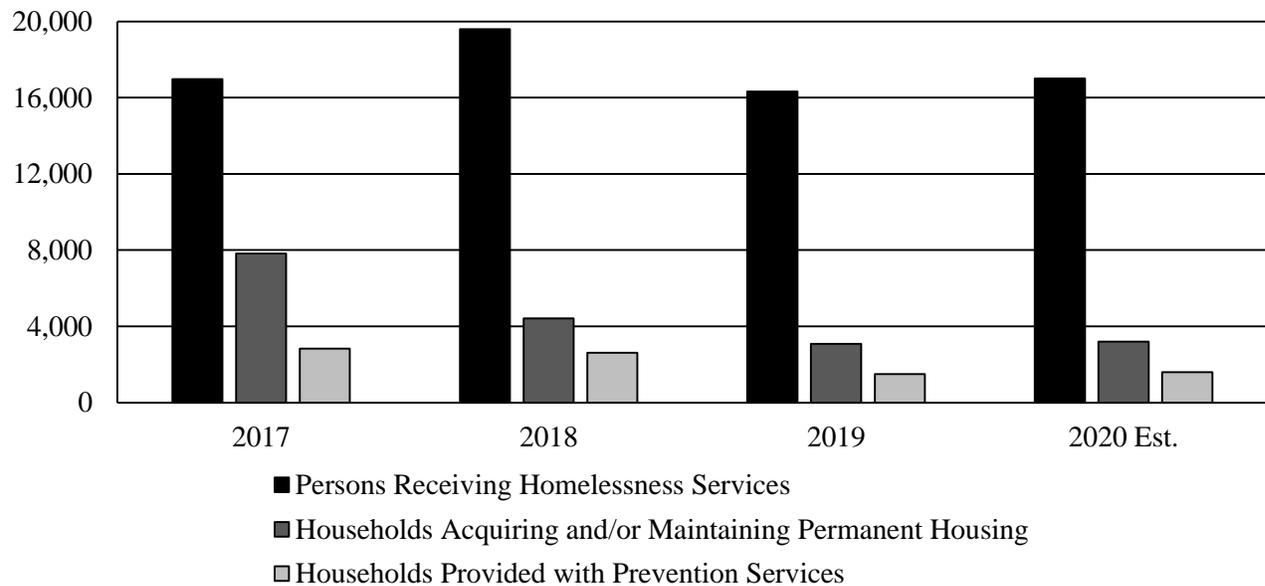
Turnover and Necessary Vacancies, Excluding New Positions	19.86	6.00%
Positions and Percentage Vacant as of 12/31/19	25.10	7.58%
Vacancies Above Turnover	5.24	

## Key Observations

### 1. Homelessness Programs

Chapter 105 of 2017 transferred the Bureau of Homeless Services from DHS to DHCD on July 1, 2017, consolidating almost all of the State’s homeless services programs at DHCD. As shown in **Exhibit 5**, DHCD provided assistance to more than 16,000 people who were homeless or at risk of homelessness in fiscal 2019. The department helped more than 3,000 households acquire or maintain permanent housing and provided nearly 1,500 households with homelessness prevention services. While there appears to be a decline in services from fiscal 2018, DHCD believes prior years’ data likely double-counted people who received services at both DHS and DHCD.

**Exhibit 5**  
**Homeless or At-risk of Homelessness Served**  
 Fiscal 2017-2020 Est.



Source: Governor’s Fiscal 2021 Budget Books

### Youth Homelessness

The fiscal 2021 allowance includes \$1.2 million for youth homelessness programs, which is the same level of funding as in fiscal 2020. These funds include \$1 million for grants under the Ending Youth Homelessness Act of 2018 (Chapter 748). Fiscal 2021 is the second year of funding for these

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grants. **Exhibit 6** shows how these funds were awarded in fiscal 2020 by Continuum of Care, the local organizations through which DHCD provides homelessness services.

**Exhibit 6  
Youth Homelessness Program Awards  
Fiscal 2020**

<u>CoC</u>	<u>Provider</u>	<u>Project Description</u>	<u>Amount Funded</u>
Anne Arundel	Anne Arundel County Partnership for Children, Youth and Families	Rental assistance and case management for homeless youth in north Anne Arundel County	\$96,774
Baltimore City	Strong City Baltimore	Funding support for the existing Youth Empowered Society Drop-In Center	150,000
Baltimore County	New Pathways	Rental assistance and case management for single and parenting youth	150,000
Carroll	Carroll County	Dedicated funding for youth-specific rapid rehousing	46,208
Frederick	Student Homelessness Initiative Partnership	Case management, hotel/motel placements, host homes, and technical assistance for developing a youth homelessness plan	96,108
Harford	Harford Family House	Emergency shelter for homeless youth	44,000
Howard	HopeWorks	Rental assistance and case management for homeless youth	92,750
Mid Shore	His Hope Haven	Street outreach, rental assistance, and case management for homeless youth	84,500
Prince George's	Department of Social Services	Pilot university housing program for homeless students	146,590
Washington	Horizon Goodwill Industries (HGI)	In collaboration with Washington County Community Action Council (WCAC), provides workforce development and other services to homeless youth receiving rental assistance	41,070
	WCAC	In collaboration with HGI, provides rental assistance and case management for homeless youth receiving additional services from HGI	52,000
<b>Total Awards</b>			<b>\$1,000,000</b>

CoC: Continuum of Care

Source: Department of Housing and Community Development

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While no funds were appropriated for the purposes of engaging youth or allowing youth to provide leadership in DHCD efforts, the department funded a symposium on homeless youth in May 2019. The department noted that it was developing regulations and policies related to the Ending Youth Homelessness Act to include elements to address building capacity to ensure the effectiveness of youth homelessness programs as well as ensuring the geographic diversity of homelessness is addressed. DHCD advises that performance data on youth homelessness programs will be available at the end of fiscal 2020 and will be included in the annual report due December 2020, as required by Chapter 748.

The remaining \$200,000 of funding for youth homelessness programs is for the Youth REACH (Reach out, Engage, Assist, and Count to end Homelessness) project, which aims to develop strategies and best practices for the enumeration of unaccompanied homeless youth. The next Youth REACH count is scheduled for March 2020.

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1**  
**2019 Joint Chairmen’s Report Responses from Agency**

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Department of Housing and Community Development (DHCD) prepare one report. An electronic copy of the full JCR response can be found on the Department of Legislative Services Library website.

- ***Report on the Implementation of Chapter 748 of 2018:*** The budget committees requested a report detailing the implementation of the Ending Youth Homelessness Act. Further discussion of the agency’s response is found in Key Observation 1 of this analysis.

**Appendix 2**  
**Object/Fund Difference Report**  
**Department of Housing and Community Development**

<u>Object/Fund</u>	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u> <u>Appropriation</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20 - FY 21</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	331.00	331.00	331.00	0.00	0%
02 Contractual	74.25	95.00	94.00	-1.00	-1.1%
<b>Total Positions</b>	<b>405.25</b>	<b>426.00</b>	<b>425.00</b>	<b>-1.00</b>	<b>-0.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 36,205,175	\$ 38,256,183	\$ 38,328,865	\$ 72,682	0.2%
02 Technical and Special Fees	5,244,871	5,401,661	5,183,890	-217,771	-4.0%
03 Communication	221,799	238,126	193,466	-44,660	-18.8%
04 Travel	291,182	348,434	354,817	6,383	1.8%
06 Fuel and Utilities	182,763	200,000	200,000	0	0%
07 Motor Vehicles	86,319	272,630	159,430	-113,200	-41.5%
08 Contractual Services	21,083,898	26,820,938	32,598,262	5,777,324	21.5%
09 Supplies and Materials	218,813	273,550	272,850	-700	-0.3%
10 Equipment – Replacement	374,035	454,355	377,500	-76,855	-16.9%
11 Equipment – Additional	14,611	136,500	104,500	-32,000	-23.4%
12 Grants, Subsidies, and Contributions	281,191,227	297,161,939	304,191,209	7,029,270	2.4%
13 Fixed Charges	4,815,364	5,147,770	5,154,931	7,161	0.1%
14 Land and Structures	1,426,325	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 351,356,382</b>	<b>\$ 374,712,086</b>	<b>\$ 387,119,720</b>	<b>\$ 12,407,634</b>	<b>3.3%</b>
<b>Funds</b>					
01 General Fund	\$ 11,655,751	\$ 12,793,356	\$ 13,996,858	\$ 1,203,502	9.4%
03 Special Fund	65,075,351	73,395,359	77,874,349	4,478,990	6.1%
05 Federal Fund	270,200,939	281,515,329	284,127,457	2,612,128	0.9%
09 Reimbursable Fund	4,424,341	7,008,042	11,121,056	4,113,014	58.7%
<b>Total Funds</b>	<b>\$ 351,356,382</b>	<b>\$ 374,712,086</b>	<b>\$ 387,119,720</b>	<b>\$ 12,407,634</b>	<b>3.3%</b>

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.