

March 3, 2020

The Honorable Kumar Barve
Chairman, House Environment and Transportation Committee
House Office Building, Room 251
6 Bladen Street
Annapolis, MD 21401

RE: Opposition of House Bill 1567 (Housing and Community Development - Affordable Housing Development Credit Program)

Dear Chairman Barve:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, opposes Senate Bill 1567 (Housing and Community Development - Affordable Housing Development Credit Program).

This measure creates a new 10-year tax credit intended to encourage the building and ownership of new affordable housing, which is in limited supply in Maryland. Part of the reason for this is the expense of building; between labor, supplies, and fees from the State and local jurisdictions, builders often cannot afford to build affordable housing. While we appreciate the intent of this tax credit to make the construction and operation of affordable housing projects more financially feasible, MBIA supports the Maryland Affordable Housing Coalition's (MAHC) conclusion that these proposed tax credits would not generate enough equity to meet the financing needs of the projects, especially in comparison to existing programs like Rental Housing Works (RHW).

This proposed tax credit would cost the State \$150 million over 12 years. The credits themselves are estimated to sell for around \$0.62 per \$1.00. By comparison, 100% of Rental Housing Works funds go directly into a project, and are therefore a better use of limited state dollars. Both RHW and the proposed tax credit in this measure would serve the same pool of rental projects, but \$0.38 cents per \$1.00 is lost with the proposed tax credit. A State funded loan program like the Rental Housing Works loan program seems to be a more efficient and effective gap financing tool for delivering the most affordable housing units in Maryland.

MBIA appreciates the Sponsor and Committee's desire to incentivize the construction of more affordable housing, and would be very happy to work with any legislator in brainstorming new solutions. However, for the reasons stated above, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: House Environment and Transportation Committee Members