



Testimony to the Ways and Means Committee
HB 1628 – Sales and Use Tax – Rate Reduction and Services
Position: Oppose
March 2, 2020

The Maryland Affordable Housing Coalition (MAHC) has always been a strong advocate for affordable rental housing programs in Maryland. MAHC strongly opposes HB 1628, which would effectively increase the cost to build affordable housing through a new tax on services such as architecture, engineering, and construction as well as increase the operating costs of the properties through a new tax on property management fees, landscaping and lawn care services, repairs, and other necessary services to maintain the properties.

MAHC is very concerned about how our members will absorb the increased costs to build and manage their multifamily rental communities which primarily serve residents earning 60 percent and below the area median income. The Maryland Dept. of Housing and Community Development (DHCD) sets construction cost limits for the affordable multifamily projects that it finances, and those cost limits would have to be reviewed and increased accommodate this additional development cost. The State's affordable housing financing resources have not increased in recent years and are actually decreasing. A significant increase in construction costs would result in DHCD – as well as many local jurisdictions that also provide soft financing - having to provide additional subsidies to each affordable housing project, thus reducing the overall number of affordable units that can be produced. Additionally, the rents on affordable housing properties are also restricted by DHCD so the property cannot simply increase the rents and pass the cost on to the tenants, as a market rate property would do. The operating budgets are already very tight, so additional costs would leave less money to maintain the property, provide needed resident services to low income residents, and to repay their loans. **Should it become law, HB 1628 would increase construction costs, increase operating cost, and have a severe negative impact on the production of affordable housing throughout the State. Therefore, we urge an unfavorable report on HB 1628.**

MAHC is the leading organization for the affordable rental housing industry in Maryland and has over 185 member organizations, including developers, community action groups, state and local housing authorities, property management companies, financial institutions, community development organizations, contractors, investors, consultants and individuals.

Respectfully submitted on March 2, 2020 by Miranda Darden-Willems, Executive Director, on behalf of the MAHC Board of Directors.



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