

Robin Carter
Chairperson, Board of Commissioners

Janet Abrahams
President | Chief Executive Officer



HB 7

January 30, 2024

TO: Members of the Environment and Transportation Committee

FROM: Janet Abrahams, HABC President & CEO 

RE: House Bill 7 - Housing Innovation Pilot Program and Housing Innovation Fund - Establishment (Housing Innovation Pilot Program Act of 2024)

POSITION: Favorable with Amendments

Chair Korman, Vice Chair Boyce, and Members of the Committee, please be advised that while the Housing Authority of Baltimore City (HABC) is always supportive of additional funding programs that serve to preserve and increase the number of quality affordable housing opportunities, we believe that HB 7 would not be readily applicable to Baltimore City's affordable housing development due to our housing economics.

Affordable housing developments in Baltimore City requires use of a greater level of deeply affordable subsidies, such as LIHTCs; tax-exempt bonds, and the gap funding that is tied to these programs. These funds are not prioritized in/excluded from this proposed program. It appears that it is structured so it would be more advantageous to other areas of the State, other than Baltimore City, where there are stronger household incomes and overall housing market conditions.

While we understand that HB 7 will establish a pilot program to provide state matching funds for housing innovation projects funded through local revolving loans for particular mixed-income and cross-subsidized housing, it again prioritizes projects that do not utilize low-income housing tax credits (LIHTC) and tax-exempt bonds. As long as the proposed fund, does not have the effect of cutting current or diluting future funding available for existing State housing funding programs, we are in support of it.

HABC is the 5th largest public housing authority in the country, serving over 42,000 of Baltimore City's low-income individuals through its Public Housing and Housing Choice Voucher programs. HABC's public housing inventory currently consists of approximately 6,000 units located at various developments and scattered sites throughout the city. Historically in Baltimore, public housing sites were built in segregated areas of the city with high concentrations of poverty and neighborhood disinvestment. Generally, in these neighborhoods there was and continues to be limited access to quality schools, green space/recreation areas, grocery stores, healthcare facilities, financial institutions, transportation, etc. These

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areas also have high rates of unemployment and crime, high concentration of poverty and minority populations, and lower life-expectancy rates than in more affluent areas of the city. Through the years, decreases and uncertainty in federal funding for public housing programs, has resulted in deferred maintenance and the deterioration of many public housing developments. This made it necessary to use innovative partnership and funding mechanisms to preserve affordable housing.

Since 2015, HABC has been converting a portion of its public housing to private ownership under HUD's Rental Assistance Demonstration (RAD). HABC has partnered with private developers and the State Housing Finance Agency to realize over \$978 million in investment for its current RAD projects, allowing for extensive renovations and significant capital improvements at the properties, representing the preservation of over 4,000 deeply affordable housing units. HABC is also working to transform its public housing into thriving mixed-income communities where residents have opportunities for economic mobility. Three of our current major redevelopment initiatives include the Perkins Somerset Oldtown (PSO) Transformation Plan, Transform Poe and the O'Donnell Heights Neighborhood Revitalization Plan.

The PSO Transformation Plan includes the demolition and redevelopment of Perkins Homes in East Baltimore into a vibrant mixed income community with affordable and market rate housing as well as other amenities and supportive services for residents. The housing plan includes the new construction of 629 public housing replacement units, 424 low-income units serving households with an average of 60% AMI and 307 unrestricted market rate units spread across the Somerset and Perkins sites. Working with the City of Baltimore, private developers, and other partners, the PSO Plan will bring over \$1 billion in investment to this area of the city. The Transform Poe Plan seeks to redevelop Poe Homes, which sits on seven acres in West Baltimore and consists of 288 obsolete public housing units. The O'Donnell Heights Neighborhood Revitalization Plan includes the redevelopment of the original 900 public housing units at the site with 924 newly constructed residential units. All of these redevelopment efforts, including the RAD projects, rely heavily on private investment and tax credits to make implementation possible.

HABC is currently exploring options to reposition or redevelop several of our other public housing sites, but funding and feasibility make this challenging. We estimate that the units that remain in our housing stock have immediate capital needs in the amount of over \$120 million and 20-year capital needs in the amount of over \$575 million. The projected cost to redevelop these sites on a scale similar to the PSO Transformation is over \$2 billion. In addition, there are several sites that were redeveloped under HUD's HOPE VI program, for which the affordability period has expired. To preserve this affordability at five of these sites, consisting of 457 units, HABC exercised its right of first refusal and brought them back into our inventory.

As HABC continues to seek funding and resources to support these efforts we are concerned that the dollar-for-dollar match would create a challenge to accessing these funds. Again, the requirement that this funding is not prioritized for projects that receive tax credits and tax-exempt bonds could present a challenge to HABC. Since HABC's current project pipeline, in addition to the many other redevelopment initiatives that take place throughout Baltimore City and the State of Maryland, rely on tax credits for their funding, it is critical that the Housing Innovation Program is not funded from existing State programs that are necessary for projects that use tax credits.

We respectfully request a **favorable with amendments that address concerns raised herein** on House Bill 7.

Respectfully submitted:

Janet Abrahams, HABC President & CEO

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