

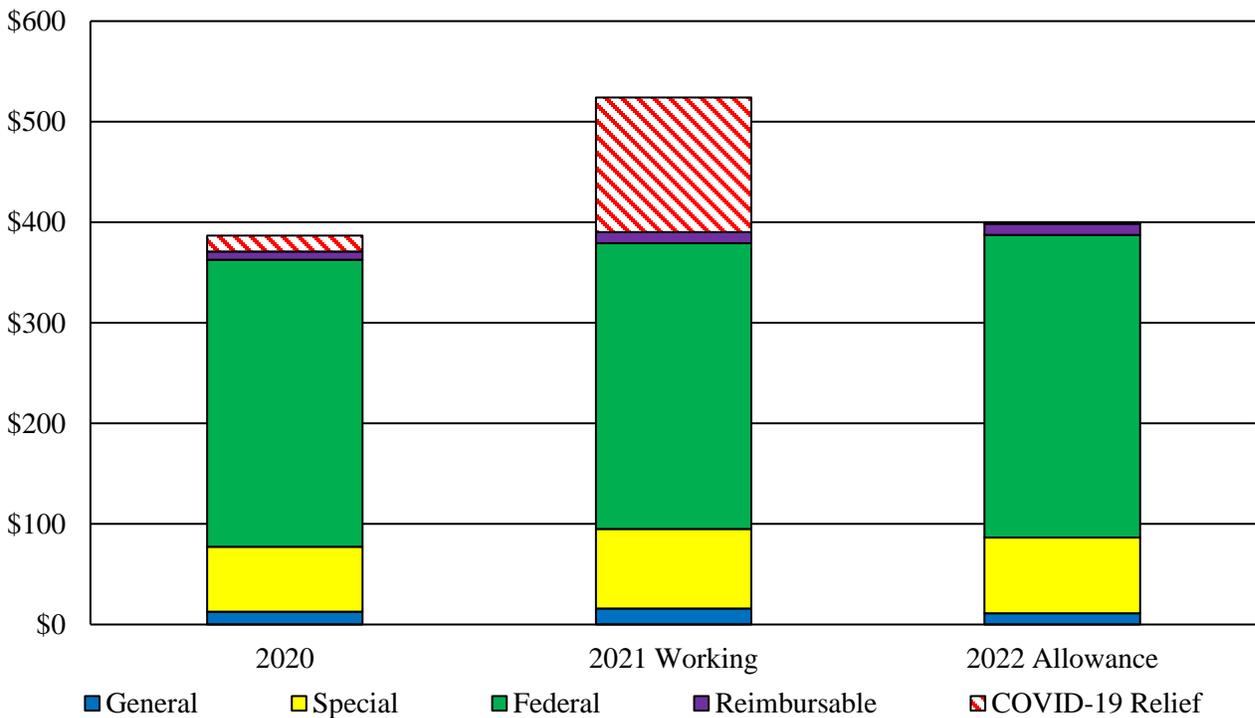
S00A
Department of Housing and Community Development

Executive Summary

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

**Fiscal 2022 Budget Decreases \$123.9 Million, or 23.6%, to \$400.1 Million
(\$ in Millions)**



Note: The fiscal 2021 appropriation includes deficiencies and general salary increases. The fiscal 2022 allowance includes annualization of general salary increases and annual salary review funding.

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Key Observations

- ***COVID-19 Relief Programs:*** DHCD provided more than \$150 million in COVID-19 relief to households, businesses, and nonprofits in fiscal 2020 and 2021 in addition to administering \$23.7 million in broadband funding to provide Internet access for Maryland students. The December federal COVID-19 relief legislation provides an additional \$258.1 million through DHCD for rental assistance that is not reflected in either fiscal 2021 or 2022.
- ***Other Changes Include an Increase in Federal Rental Subsidies, Decrease in General Funds:*** Excluding COVID-19 relief, DHCD’s fiscal 2022 allowance grows by \$8.0 million, or 2.1%, compared to the fiscal 2021 working appropriation. Federal funds increase by \$16.9 million, primarily due to increased funding for rental subsidies under DHCD’s contract with the U.S. Department of Housing and Urban Development to administer project-based rental assistance across the State. General funds decrease by \$4.5 million in fiscal 2022 due to the elimination of \$1 million for the Qualified Workforce Housing Tax Credit in opportunity zones, \$1.3 million in broadband funding that is shifted to the capital budget, and a \$2 million deficiency appropriation in fiscal 2021 for the Maryland Housing Counseling Fund.
- ***Evictions Decreased, but Housing Insecurity Remains High:*** Due to federal and State eviction prevention measures as well as restricted court operations, evictions in Maryland declined 73% in July 2020 to November 2020 compared to the same period in 2019. However, more than 20% of Maryland renters were behind on rent as of November. The federal stimulus legislation from December includes \$401.6 million for rental and utility assistance statewide, which is considered sufficient to cover the current estimated rental shortfall in the State, although the need will likely continue to grow over the coming months as renters miss more payments.

Operating Budget Recommended Actions

1. Adopt narrative requesting reports on educational broadband network.

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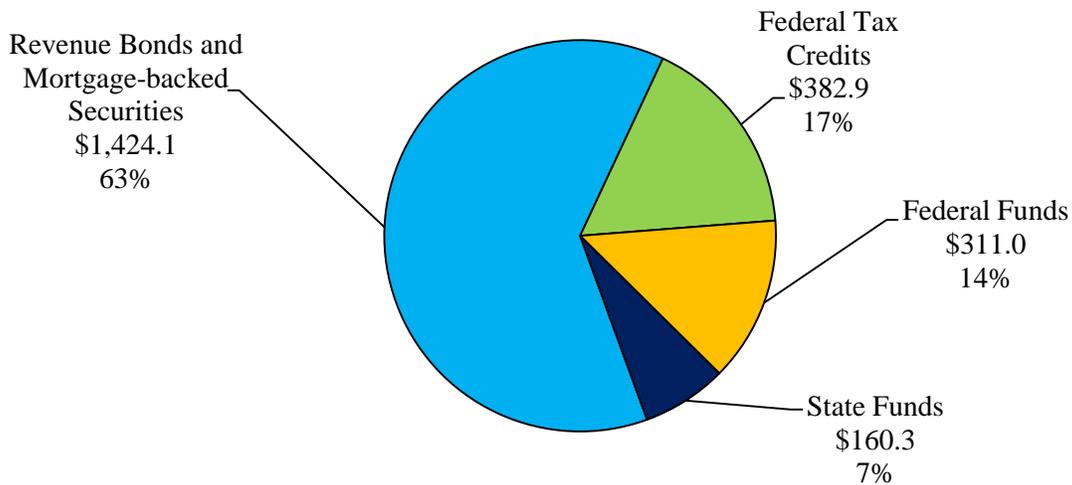
Operating Budget Analysis

Program Description

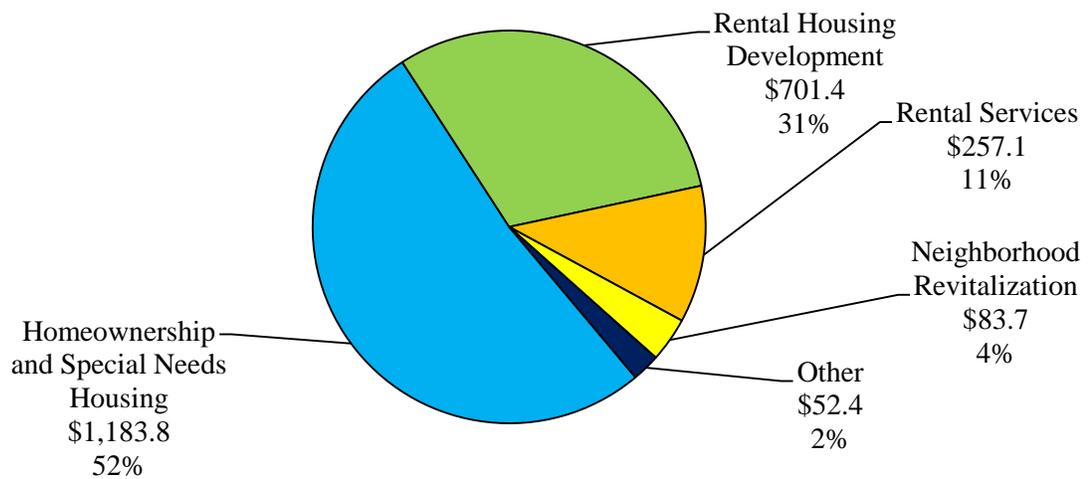
The Department of Housing and Community Development (DHCD) uses both budgeted and nonbudgeted funds to address Maryland’s housing needs. **Exhibit 1** shows the sources and uses of DHCD’s funding in fiscal 2020. Nearly 80% of DHCD’s funding in fiscal 2020 came from nonbudgeted revenue bonds, securities, or tax credits. DHCD’s funding from all sources totaled nearly \$2.3 billion, a 35% increase over fiscal 2019 driven primarily by an increase in revenue bonds and mortgage-backed securities. Homeownership programs account for 52% of DHCD spending in fiscal 2020, with spending in this area increasing 108% compared to fiscal 2019 and overtaking rental housing development as the largest expenditure category.

Exhibit 1
Sources and Uses of DHCD’s Operating and Capital Budgets
Budgeted and Nonbudgeted Funds
Fiscal 2020
(\$ in Millions)

Sources of Funding



Uses of Funding



Total: \$2,278.3 Million

DHCD: Department of Housing and Community Development

Note: Other includes Housing Energy Efficiency, Local Government Finance, and Business Lending.

Source: Department of Housing and Community Development

Fiscal 2021

Proposed Deficiency

The fiscal 2022 budget plan includes a \$2 million fiscal 2021 general fund deficiency appropriation for the Maryland Housing Counseling Fund. The program provides grant awards for housing counseling and legal services and is funded through foreclosure and mediation fees. Due to the ongoing moratorium on foreclosures during the pandemic, the fund received almost no revenue to fund the program in fiscal 2021, so the deficiency appropriation backfills these lost revenues. DHCD expects revenues to rebound once the moratoriums are lifted, and the fiscal 2022 allowance provides \$2.5 million in special funds for the program.

Board of Public Works Reductions

The Board of Public Works made statewide reductions to the fiscal 2021 budget on July 1, 2020, including \$287,147 in DHCD's operating budget. This included \$200,000 in general funds for operating costs of the National Capital Strategic Economic Development Program as well as across-the-board reductions of \$182 in general funds, \$67,752 in special funds, and \$19,213 in federal funds.

Unrecognized COVID-19 Relief Funding

The fiscal 2021 working appropriation does not include \$15 million in special funds from the Rainy Day Fund for COVID-19 relief for entertainment venues and \$10 million in federal funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act for rental assistance, as the budget amendments were still being processed at the time of budget submission. These unrecognized funds make up only a small part of DHCD's pandemic business assistance and rental relief programs, which are discussed in more detail in Issue 1 of this analysis.

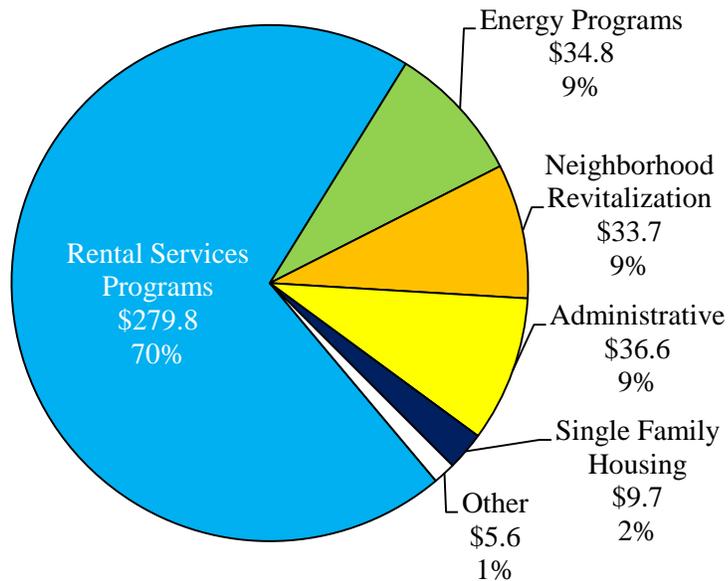
Neither the fiscal 2021 working appropriation nor the fiscal 2022 allowance includes \$258.1 million in federal funds for the Emergency Rental Assistance Program from the U.S. Treasury as part of the December 2020 COVID-19 relief legislation. The legislation provided \$401.6 million for rental and utility assistance across the State, but DHCD will administer \$258.1 million, while the remainder will be distributed directly to each of the eight largest local jurisdictions. This funding is discussed further in Issue 1.

Fiscal 2022 Overview of Agency Spending

As shown in **Exhibit 2**, the fiscal 2022 allowance is dominated by the Rental Services Program, which accounts for 70% of the \$400.1 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 the U.S. Department of Housing and Urban Development (HUD). This contract includes \$250 million in rental subsidies in fiscal 2022.

Aside from rental services, DHCD’s largest programs are its Energy Programs (9% of the allowance) and Neighborhood Revitalization (9% of the allowance), which includes the State’s homelessness programs.

Exhibit 2
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Millions)



Note: Includes annualization of general salary increases and annual salary review funding.

Source: Governor’s Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 3**, the adjusted fiscal 2022 allowance decreases by \$123.9 million compared to the fiscal 2021 working appropriation. This is due to the COVID-19 relief funding budgeted in fiscal 2021. However, as noted above, the DHCD budget does not reflect significant additional funding that is already available to the State.

Exhibit 3
Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2020 Actual	\$12,793	\$64,507	\$301,336	\$8,114	\$386,749
Fiscal 2021 Working Appropriation	15,801	99,143	382,880	26,121	523,946
Fiscal 2022 Allowance	<u>11,293</u>	<u>75,126</u>	<u>302,847</u>	<u>10,786</u>	<u>400,052</u>
Fiscal 2021-2022 Amount Change	-\$4,507	-\$24,017	-\$80,034	-\$15,335	-\$123,894
Fiscal 2021-2022 Percent Change	-28.5%	-24.2%	-20.9%	-58.7%	-23.6%

Where It Goes:

Personnel Expenses

	<u>Change</u>
Fiscal 2022 annual salary review for 63 fiscal services positions	\$423
Fiscal 2022 cost of fiscal 2021 general salary increase (2% effective January 1, 2021)	342
Employee and retiree health insurance	255
Salaries and wages	99
Unemployment compensation	74
Other fringe benefit adjustments.....	-16
Employee retirement.....	-24
Federal funding for administration of CARES Act programs	-2,268

Other Changes

Rental subsidies under Section 8 administration contract	15,000
COVID-19 relief and administrative funding for fiscal 2022	1,745
Section 811 Project Rental Assistance.....	800
Software to support EmPOWER and Weatherization Assistance programs	-130
Reimbursable funds for rental assistance for disabled elderly.....	-150
Reimbursable funds for Healthy Homes for Healthy Kids lead removal program.....	-189
Rent.....	-214
Operating funding for Baltimore Regional Neighborhoods Initiative	-251
Software to support single family finance programs	-275
Contract services for the Office of Asset Management	-283
Contract services for the Office of Information Technology.....	-292
Contract services for the Office of Management Services.....	-331
Administrative hearings.....	-556
Other changes	-724

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Where It Goes:	<u>Change</u>
Qualified Workforce Housing Tax Credit	-1,000
Washington Gas multifamily weatherization assistance to be shifted to capital budget	-1,250
Broadband funding shifted to capital budget	-1,300
Maryland Housing Counseling Fund due to fiscal 2021 deficiency appropriation.....	-2,000
One-time expenses for COVID-19 relief in fiscal 2021	-131,379
Total	-\$123,894

CARES: Coronavirus Aid, Relief, and Economic Security

Note: Numbers may not sum to total due to rounding. The fiscal 2021 appropriation includes deficiencies and general salary increases. The fiscal 2022 allowance includes annual salary reviews and annualization of general salary increases.

Workforce Housing Tax Credit

The fiscal 2022 allowance eliminates funding for the qualified workforce housing tax credit in opportunity zones that was established by the Opportunity Zone Incentives Act of 2019 (Chapter 211). The fiscal 2021 working appropriation contains \$1 million in general funds for the tax credit in its first year of funding. Funding was eliminated due to budget constraints, as DHCD believes this program is not the most efficient use of general funds. According to the department, selling \$1 million worth of tax credits would only generate approximately \$400,000 to \$600,000 to fund housing development, and the higher income range requirements for these workforce housing tax credits means that they do not pair efficiently with the federal Low Income Housing Tax Credits. DHCD has not used any of the fiscal 2021 appropriation at this time and is still considering the best use of the funds.

Rental Subsidies under Section 8 Contract Administration

The allowance for federally funded rental assistance payments under DHCD’s Section 8 contract administration program increases by \$15 million (6.4%) to \$250 million in fiscal 2022. This increase is based on a projection of the amount of rental subsidies needed, which has increased during COVID-19 as recipients have lost income due to the pandemic. Due to this impact of COVID-19, DHCD also received \$12 million from HUD for higher than expected rental supplements in fiscal 2020. DHCD notes that the department has spent \$160 million of the \$235 million fiscal 2021 appropriation through January 2021. The department believes additional funding will likely be needed for fiscal 2021, although DHCD does not have an estimate of the amount at this time.

Personnel Data

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 21-22</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	331.00	331.00	331.00	0.00
Contractual FTEs	<u>69.39</u>	<u>94.00</u>	<u>89.00</u>	<u>-5.00</u>
Total Personnel	400.39	425.00	420.00	-5.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	19.86	6.00%
Positions and Percentage Vacant as of 12/31/20	29.10	8.79%
Vacancies Above Turnover	9.24	

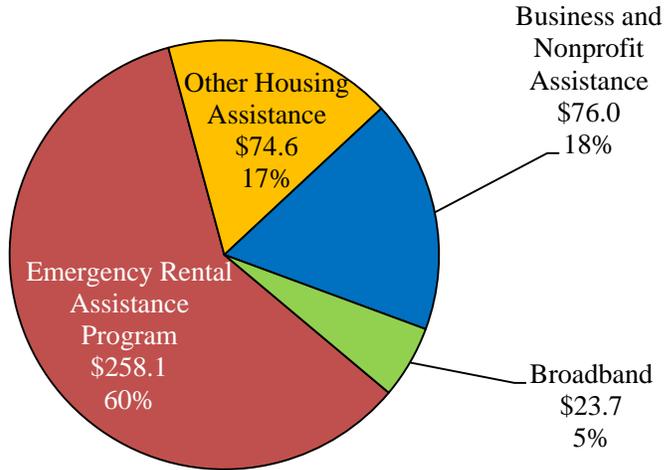
Issues

1. COVID-19 Relief Funding Administered by DHCD Totals \$432.4 Million

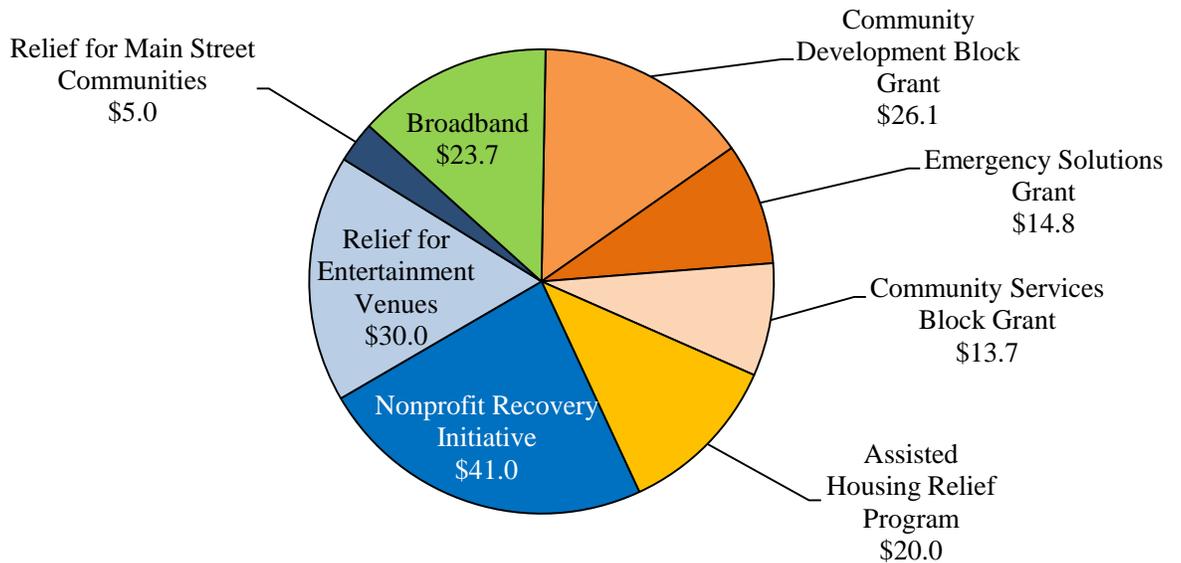
The CARES Act included funding for several DHCD programs providing rental assistance, homelessness prevention, and community services. Much of this funding (\$54.6 million) was allocated directly to DHCD from HUD or the U.S. Department of Health and Human Services, but the Governor also allocated \$71 million of Coronavirus Relief Funds and \$15 million in Governor’s Emergency Education Relief (GEER) funds from the CARES Act to DHCD for additional rental assistance, business and nonprofit relief, and the expansion of broadband access for Maryland school districts. The Governor provided an additional \$35 million in Rainy Day funds to DHCD to support businesses in Main Street communities and entertainment venues throughout the State. The December 2020 federal COVID-19 relief legislation also provides \$401.6 million for the Emergency Rental Assistance Program for rental and utility assistance across the State, of which DHCD will administer \$258.1 million, with the remainder distributed directly to the eight largest local jurisdictions. **Exhibit 4** summarizes the pandemic relief funding administered by DHCD.

Exhibit 4
COVID-19 Relief Funding Administered by DHCD
(\$ in Millions)

Overview – All Funds



Excluding Rental Assistance from December Federal Stimulus



DHCD: Department of Housing and Community Development

Source: Department of Housing and Community Development

Exhibit 5 provides additional detail on each program.

Exhibit 5
DHCD’s COVID-19 Relief Programs
(\$ in Millions)

<u>Program</u>	<u>Description</u>	<u>DHCD Funding</u>	<u>Funding Source</u>
Housing Assistance			
Community Development Block Grant (CDBG)	Competitive federally funded grants to local governments for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services. DHCD used most of this funding (\$19.3 million) for Eviction Prevention Partnership grants for local jurisdictions to provide rental assistance. Of the CDBG funds provided to DHCD through the CARES Act, \$16.1 million could be used across all jurisdictions in the State, while the remainder was reserved for nonentitlement areas, which are mainly rural areas of the State. Entitlement jurisdictions received funding directly from HUD totaling \$47.4 million.	\$26.1	CARES Act (HUD)
Emergency Solutions Grant	Federally funded homelessness program with a State match that supports emergency shelter operations, street outreach, rapid rehousing, and homelessness prevention. Entitlement areas received funding directly from HUD totaling \$35.6 million.	14.8	CARES Act (HUD)
Community Services Block Grant	Federally funded grants for poverty mitigation measures, including employment, education, housing, and emergency assistance services. 90% of funds are awarded to Community Action Agencies.	13.7	CARES Act (HHS)
Assisted Housing Relief Program (AHRP)	New program created to provide rental assistance through direct payments to property management companies for multifamily projects financed by DHCD’s Community Development Administration. Tenants in eligible properties were credited for up to four months of rental payments. Prior to the passage of the December 2020 relief legislation, CRF funds had an expenditure deadline of December 30, 2020. Due to this deadline, DHCD diverted \$4.8 million from the AHRP to provide additional rental assistance to local jurisdictions.	20.0	CARES Act (CRF)

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<u>Program</u>	<u>Description</u>	<u>DHCD Funding</u>	<u>Funding Source</u>
Emergency Rental Assistance	Provides up to 12 months of rental or utility assistance to households with income at or below 80% AMI that can demonstrate hardship due to COVID-19, with priority for households at or below 50% AMI or to residents who have been unemployed for 90 days. No more than 10% of funding can be used for case management, other housing stability services, and administrative costs. Funding must be obligated by September 31, 2021, and expended by December 31, 2021. Statewide funding totals \$401.6 million; the eight largest local jurisdictions will receive the remaining \$143.5 million directly from the U.S. Treasury.	258.1	December 2020 Federal Stimulus
<i>Subtotal</i>		<i>\$332.7</i>	
Business and Nonprofit Assistance			
Nonprofit Recovery Initiative	Grants to nonprofits engaged in the economic recovery, health and human services, and housing of underserved populations. \$10 million was initially reserved for providers licensed by the Behavioral Health Administration or the Developmental Disabilities Administration, although \$7.9 million sufficed to fund all eligible applicants; \$8.2 million was used for grants to tourism nonprofits such as museums, cultural attractions, zoos, and aquariums.	\$41.0	CARES Act (CRF)
Relief for Entertainment Venues	Grants of \$75,000 to \$500,000 to nonprofit and for-profit live music and performance venues as well as independently owned local movie theaters.	30.0	Rainy Day Fund
Relief for Main Street Communities	Grants of \$75,000 to \$500,000 to Maryland Main Street and Baltimore City Main Street organizations to support businesses in these communities impacted by the pandemic; funds must be expended by April 30, 2021.	5.0	Rainy Day Fund
<i>Subtotal</i>		<i>\$76.0</i>	
Broadband			
Short-term Student Needs	Provided grants to local school districts to provide Internet access for students, either through existing providers (mainly in urban areas) or by providing wireless access devices to students where broadband infrastructure is not available (mainly rural areas). The Governor originally provided \$10 million for this purpose, but \$8.7 million funded all requests.	\$8.7	CARES Act (CRF)

S00A – Department of Housing and Community Development

<u>Program</u>	<u>Description</u>	<u>DHCD Funding</u>	<u>Funding Source</u>
Statewide Educational Network	Funding awarded as a grant to Collaborative Solutions Maryland (CSM) to construct a new network that will provide broadband access to students in areas that are currently unserved. CSM is in the process of awarding a contract for a feasibility study and design services. DHCD expects the network to begin construction in spring 2021 and be fully operational by the end of calendar 2021.	15.0	CARES Act (GEER)
<i>Subtotal</i>		<i>\$23.7</i>	
Total		\$432.4	

AHRP: Assisted Housing Relief Program
 AMI: Area Median Income
 CARES: Coronavirus Aid, Relief, and Economic Security
 CRF: Coronavirus Relief Funds
 DHCD: Department of Housing and Community Development
 GEER: Governor’s Emergency Education Relief
 HHS: U.S. Department of Health and Human Services
 HUD: U.S. Department of Housing and Urban Development

Source: Department of Housing and Community Development

The awards by jurisdiction of the CARES Act funding for the Community Development Block Grant, Emergency Solutions Grant, and Community Services Block Grant programs are included in **Appendices 3, 4, and 5**, respectively. For the Assisted Housing Relief Program, the amount of rent relief awarded by jurisdiction is included in **Appendix 6** as are the awards made using the \$4.8 million in funding that was redirected to local rental assistance programs. Additional details on DHCD’s Nonprofit Recovery Initiative awards for Behavioral Health Administration and Developmental Disabilities Administration providers, tourism nonprofits, and other nonprofits are included in **Appendix 7**. Awards for entertainment venues are included in **Appendix 8**, and the awards for Main Street organizations are included in **Appendix 9**. Lastly, the allocation of funds awarded to school districts for students’ short-term broadband access needs is included in **Appendix 10** and will also be discussed further in the Aid to Education analysis.

Pending Implementation: Rental Assistance and Broadband

As shown in the appendices, the funding from most of DHCD’s relief programs has already been obligated or expended as of January 2021. The exceptions are the new federal Emergency Rental Assistance Program and the construction of the educational broadband network.

Emergency Rental Assistance Program

DHCD received its allocation of \$258.1 million for rental assistance from the U.S. Treasury on January 26, 2021. The department is awaiting additional federal guidance and regulations in order to make its plans to distribute the funds and, on January 27, the Governor announced the intent for DHCD to work with a bipartisan advisory group of legislators to provide input on the distribution plan. The Stout consulting company estimated that the rental shortfall in Maryland would total between \$206 million and \$381 million in January 2021 (discussed further in Issue 2). By these estimates, the statewide allocation of \$402 million in rental assistance is sufficient to cover the current rental shortfall, although the need will likely continue to grow over the coming months as renters miss more payments. The funding can also be used for utility assistance and, as of December 2020, the five largest utilities in Maryland had a combined total of residential arrearages of \$212.2 million. Arrearages and the demand for utility assistance are discussed further in the analyses for the Public Service Commission and the Department of Human Services Office of Home Energy Programs.

Although federal regulations have not yet been issued, DHCD expects that the department’s allocation will be eligible to be used across all jurisdictions, regardless of whether the jurisdiction received its own direct allotment. **Exhibit 6** shows estimates from the National Association of Counties of the direct allocations for the eligible jurisdictions.

Exhibit 6
Local Jurisdiction Direct Allocations for Rental Assistance
(\$ in Millions)

<u>County</u>	<u>Estimated Direct Allocation</u>
Anne Arundel	\$17.3
Baltimore	24.7
Baltimore City	17.7
Frederick	7.7
Harford	7.6
Howard	9.7
Montgomery	31.4
Prince George’s	27.1
Total	\$143.3

Note: These are estimates, not official allocations from the U.S. Treasury. There is a slight discrepancy between these estimates totaling \$143.3 million and the remaining funds after the Department of Housing and Community Development’s allocation totaling \$143.5 million.

Source: National Association of Counties

Educational Broadband Network

As noted previously, the Governor provided \$15 million in GEER funding to construct a statewide broadband network for education, recognized in DHCD’s budget as reimbursable funds from the Maryland State Department of Education (MSDE) in fiscal 2021. DHCD awarded the funds to Collaborative Solutions Maryland (CSM), a nonprofit organization started by the University System of Maryland’s Maryland Research and Education Network. CSM will construct the network and operate it in collaboration with local school districts. Although a project schedule has yet to be determined through the upcoming feasibility study, DHCD estimates that construction of the network will begin in spring 2021, with some counties online in the summer and the remaining operational by the end of calendar 2021.

Participating local school districts will need to cover the operational costs of the network once constructed. These costs are still unknown because the feasibility study is not yet completed and, as a result, it is also unknown which school districts will choose to participate. The feasibility study will also provide a better idea of the project budget for design and construction. To the extent that these costs are less than \$15 million, DHCD advises that the remaining funding will either be used to support the start-up costs for the school districts or to expand the network to support unserved students in urban areas.

Because many of the details of this project are still unknown, the Department of Legislative Services (DLS) recommends adopting committee narrative requesting that DHCD submit a report, in collaboration with MSDE, updating the committees with detailed project costs and schedules once more information is available. The report should include projected operational costs to the school district as well as construction costs and schedules for each school district that decides to participate as well as the overall cost and a specific plan for how DHCD intends to allocate remaining funding after design and construction costs are covered. DLS further recommends that DHCD and MSDE submit a follow-up report in December updating the committees on the network’s progress and any changes to project costs and schedule.

The educational broadband network is also discussed in the MSDE Headquarters analysis.

2. COVID-19 Impact on Housing Insecurity and Evictions

The COVID-19 pandemic has exacerbated housing insecurity in Maryland due to high levels and extended periods of unemployment as well as delays in unemployment insurance payments. According to data from the U.S. Census Bureau’s Household Pulse Survey from December 2020, more than 20% of Maryland renters were behind on rent as of November, as shown in **Exhibit 7**. Black and low-income renters are the most vulnerable, with 35.5% of Black renters not current on rent compared to 13.9% of White renters, and 30.1% of Marylanders with annual income below \$50,000 who are behind on rent compared to 14.0% for those with annual income \$50,000 and above. Based on this data, the Stout consulting company estimated that the rent shortfall in Maryland would total between \$206 million and \$381 million by January 2021, and 38,000 to 71,400 Maryland households would be at risk of eviction due to inability to pay rent. By these estimates, the \$402 million in rental assistance

for Maryland provided by the December 2020 federal COVID-19 relief legislation is sufficient to cover the current rental shortfall, although the need will likely continue to grow over the coming months as renters miss more payments. Moody’s Analytics estimates that delinquent rent, utilities, and late fees nationwide will still total nearly \$35 billion in April with an average delinquency of 3.8 months, assuming the new federal rental relief is distributed in February and March.

Exhibit 7
Maryland Renters Behind on Rent Payments
November 2020

<u>Race or Income Category</u>	<u>Renters Behind on Rent</u>
Black	35.5%
White	13.9%
Income Below \$50,000	30.1%
Income \$50,000 and Above	14.0%
Overall	22.1%

Note: This data is experimental and standard errors may be large.

Source: U.S. Census Bureau Household Pulse Survey

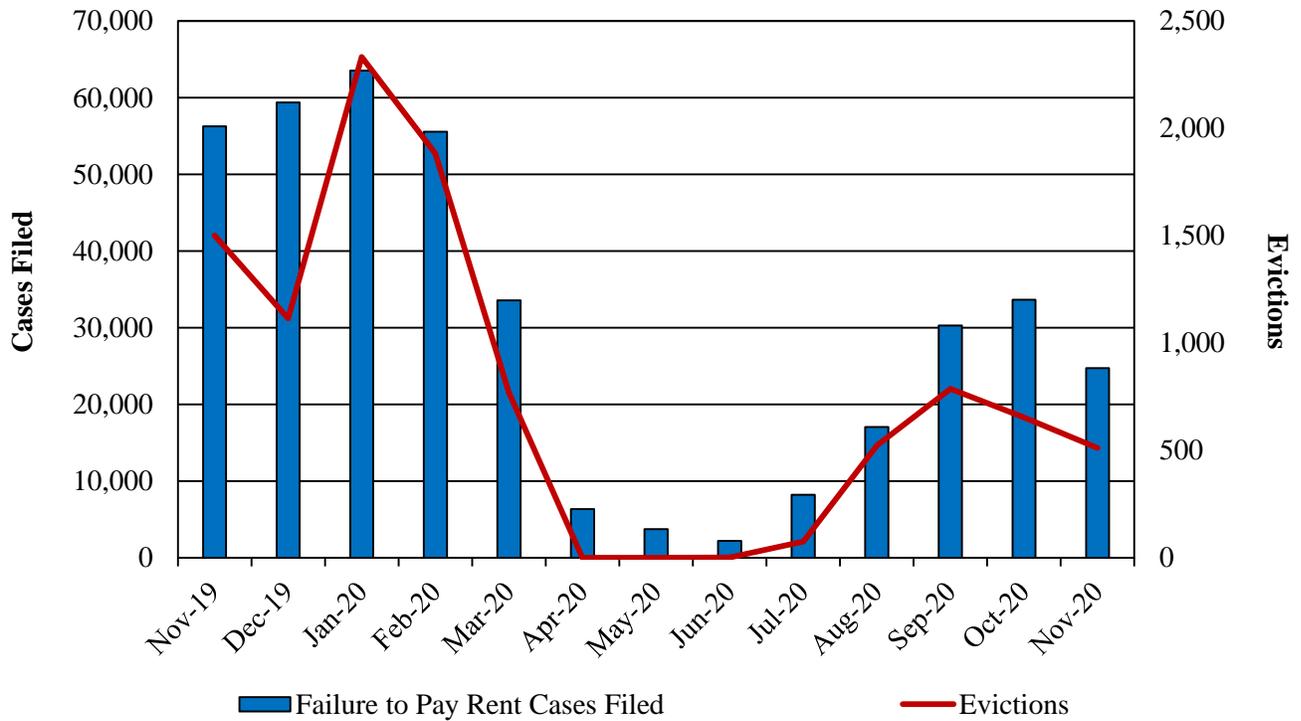
Despite federal and State eviction prevention measures as well as court closures, both eviction filings and evictions have continued to take place in Maryland during the pandemic. The CARES Act prohibited certain covered properties from filing for eviction against tenants for failure to pay rent from March 27, 2020, to July 25, 2020, and an order issued by the U.S. Centers for Disease Control and Prevention (CDC) in September 2020 and since extended prohibits the actual eviction of tenants for failure to pay rent through the end of March 2021, provided that the tenants meet certain criteria and invoke the CDC protections during eviction proceedings. These protections do not relieve a tenant of any obligation to pay rent and do not protect a tenant from being evicted for reasons other than a failure to pay rent.

At the State level, the Governor issued an executive order in April 2020, which has been amended and extended several times, that prohibits evictions through the state of emergency if the tenant can demonstrate substantial loss of income due to the COVID-19 pandemic. In addition, Maryland courts restricted operations during the pandemic beginning on March 16, 2020. Courts resumed processing tenant holding over actions (where a tenant remains on the property after the lease ends), breach of lease actions, and any associated warrants of restitution on July 20, 2020. Warrants of restitution associated with failure to pay rent actions resumed on July 25, and failure to pay rent cases resumed on August 31. However, the courts returned to restricted operations in November 2020 such that only emergency eviction cases can be heard, although failure to pay rent cases can still be filed.

Exhibit 8 shows the number of failure to pay rent cases filed and the evictions that took place across the State from November 2019 to November 2020. After the court closures beginning in

March 2020, the filing of failure to pay rent cases dropped dramatically, and only one eviction took place from April to June. Both figures started to rise again when courts resumed limited operations in July and August, and decreased in November as the courts added additional restrictions. While failure to pay rent cases remain by far the most common landlord/tenant case type, it is worth noting that while failure to pay rent cases filed between July and November 2020 decreased by 60% from the same period in 2019, tenant holding over cases increased by 67% to an average of 440 per month. Evictions decreased by 73% over the same period.

Exhibit 8
Failure to Pay Rent Cases and Evictions
 November 2019 to November 2020



Source: District Court of Maryland

Operating Budget Recommended Actions

1. Adopt the following narrative:

Educational Broadband Network: The committees request two reports on the project status of the educational broadband network to be constructed with funding from the Coronavirus Aid, Relief, and Economic Security Act. The first report should include projected operational costs for each participating school district, the estimated construction costs and schedule for each school district and the overall project, and a specific plan for how the Department of Housing and Community Development (DHCD) plans to allocate any remaining funding after design and construction costs are covered. The second report should include a progress update and any changes to project costs or schedule.

Information Request	Authors	Due Date
Project costs and schedule for educational broadband network	DHCD, in consultation with the Maryland State Department of Education (MSDE)	June 1, 2021
Progress update on educational broadband network	DHCD, in consultation with MSDE	December 1, 2021

Appendix 1

2020 Joint Chairmen’s Report Responses from the Department of Housing and Community Development

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Department of Housing and Community Development (DHCD) prepare four reports. DHCD combined two of the reports into one, submitting a total of three reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Developing the Qualified Allocation Plan (QAP) for Low Income Housing Tax Credits (LIHTC):*** As requested, DHCD submitted a report on the department’s decisionmaking process for drafting the annual QAP. In preparing the plan, DHCD holds formal listening sessions across the State and publishes drafts for public comment, and DHCD staff participate in trainings on emerging industry best practices. DHCD’s priorities for the 2020 update of the QAP include (1) family housing in Communities of Opportunity; (2) housing in community revitalization and investment areas; (3) integrated permanent supportive housing opportunities; (4) preservation of existing affordable housing; (5) elderly housing in rural areas of the State outside Communities of Opportunity; and (6) permanent supportive housing for veterans and persons experiencing homelessness.
- ***Report on Compliance Monitoring for the LIHTC and Section 8 Housing Programs:*** The budget committees requested two reports on the department’s compliance monitoring procedures: one related to the LIHTC program; and one related to the department’s administration of Section 8 project-based rental assistance. DHCD submitted a combined report detailing the department’s role in compliance monitoring, physical inspections, data collection, and reporting for both programs. For the LIHTC program, DHCD is required to review compliance documents annually and conduct site visits to LIHTC projects once every three years. In calendar 2019, DHCD reviewed documents from 381 properties and conducted site visits at 141 properties, which resulted in 8 compliance findings. In the Section 8 program, DHCD performs contract administration for approximately 22,000 rental units, including conducting periodic Management and Occupancy Reviews (MOR) and responding to tenant complaints regarding health and safety issues. In fiscal 2020, DHCD performed 97 MORs, 22% of which had findings.
- ***Report on Private Sector Participation in Rental Housing Development Financing:*** DHCD solicited feedback from members of the lending and banking community and submitted a report including their input on DHCD financing strategies and policies. DHCD is analyzing recommendations such as designating its multifamily financing tools as Sustainability Bonds mapped to the U.N. Sustainable Development Goals, adopting a new approach to setting interest rates for certain bond executions modeled on practices undertaken by some multifamily bond issuers in New York, adopting a new type of bond execution, and partnering with health care institutions on affordable housing projects, among other proposals.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	July 1, 2014 – July 10, 2018
Issue Date:	July 2020
Number of Findings:	7
Number of Repeat Findings:	2
% of Repeat Findings:	29%
Rating: (if applicable)	n/a

Finding 1: The Department of Housing and Community Development (DHCD) did not always adhere to State procurement regulations. DHCD also awarded two contracts for amounts substantially higher than the related proposals.

Finding 2: DHCD improperly used marketing and construction management services contracts to obtain goods and services that were outside the scope of the contracts. Certain of these purchases appeared questionable, and DHCD could not document that these goods and services were received.

Finding 3: DHCD’s procedures for reconciling the receivable balances for State-funded loans did not ensure that reconciling items were resolved in a timely manner.

Finding 4: DHCD did not monitor multifamily housing loans timely and effectively. In addition, DHCD did not always take appropriate action when a loan recipient did not comply with the loan agreement.

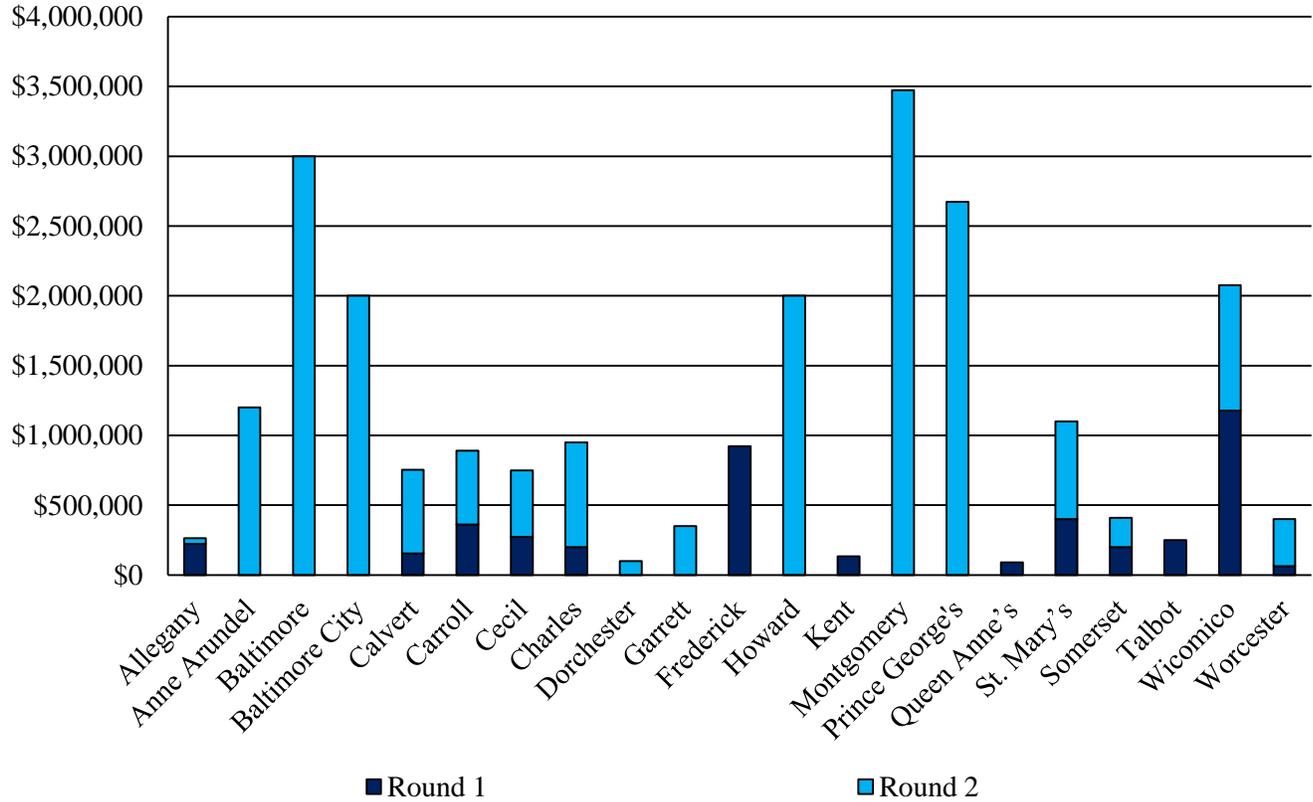
Finding 5: DHCD did not ensure multifamily housing loans were recorded in its automated loan servicing system used for the collection of loan repayments. In addition, for certain of these loans, DHCD did not generate timely and accurate annual invoices and pursue delinquent accounts.

Finding 6: Sensitive personally identifiable information maintained by DHCD was stored without adequate safeguards.

Finding 7: Malware protection controls for DHCD computers were not sufficient to provide adequate assurance that computers were properly protected from security risks.

*Bold denotes item repeated in full or part from preceding audit report.

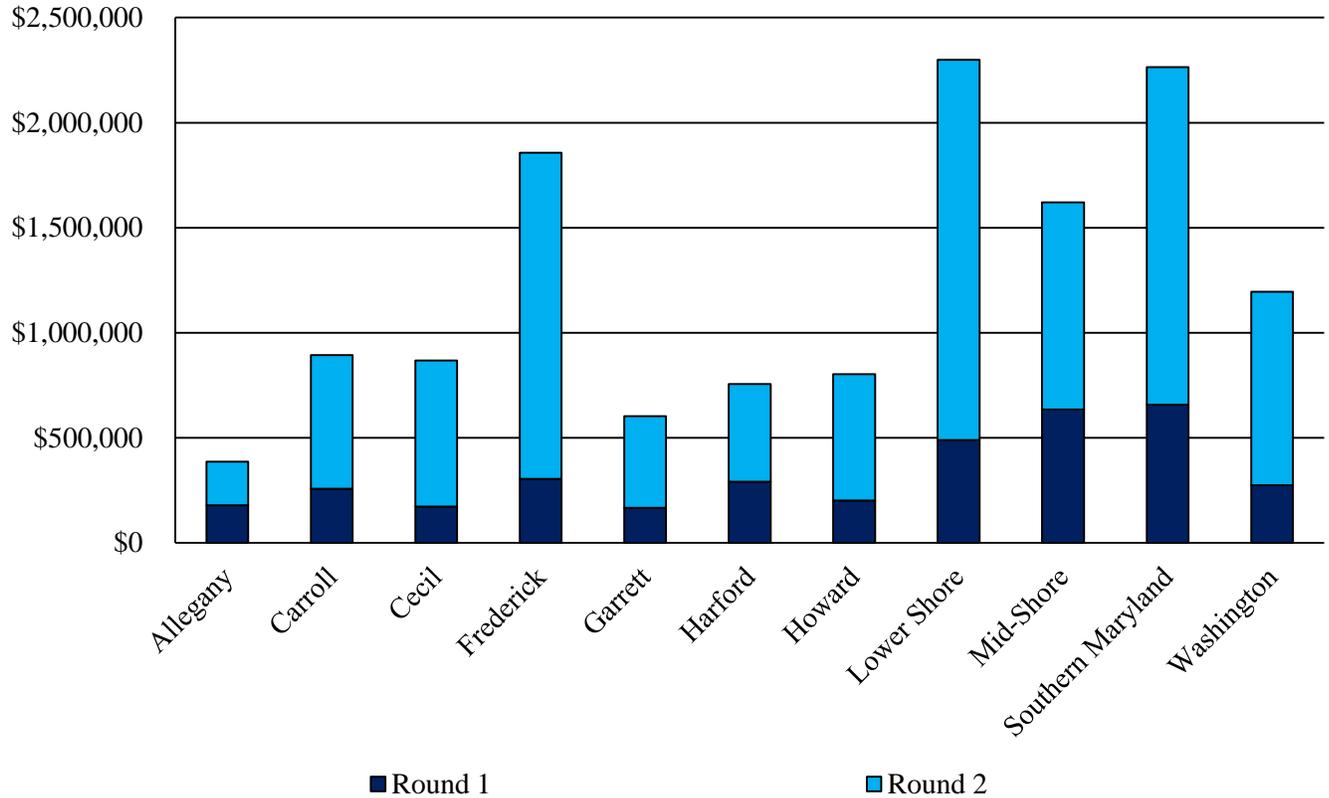
Appendix 3
COVID-19 Community Development Block Grant Awards by County



Note: The U.S. Department of Housing and Urban Development (HUD) provided three tranches of funding in the Coronavirus Aid, Relief, and Economic Security Act. The Department of Housing and Community Development (DHCD) combined tranches two and three into a single round of Eviction Prevention Partnership awards for local jurisdictions to provide rental assistance. DHCD’s allocation for the first and third tranches of HUD funding were for nonentitlement areas only, as entitlement areas received funds directly from HUD. However, the second tranche of funding, totaling \$16.1 million, was granted to DHCD to coordinate across all jurisdictions.

Source: Department of Housing and Community Development

Appendix 4
COVID-19 Emergency Solutions Grant Awards by Continuum of Care



Note: Entitlement areas received funding directly from the U.S. Department of Housing and Urban Development. Round 1 allocations were awarded to Continuum of Care (CoC) based on the normal annual formula, with no restrictions on how funds could be used other than nonduplication of other resources. Round 2 allocations were awarded based on a CoC’s share of the number of people experiencing homelessness annually, and a minimum of 50% was required to be spent on rapid rehousing.

Source: Department of Housing and Community Development

Appendix 5

COVID-19 Community Services Block Grant Awards by Community Action Agency

<u>Recipient</u>	<u>Award</u>
Allegany County Human Resources Development Commission Inc.	\$304,846
Anne Arundel County Community Action Agency Inc.	610,200
Baltimore City Community Action Partnership	3,340,054
Community Action Council of Howard County	321,229
Community Assistance Network, Inc. (Baltimore County)	958,249
Delmarva Community Services Inc.	587,331
Frederick Community Action Agency	362,051
Garrett County Community Action Committee, Inc.	579,435
Harford Community Action Agency, Inc.	430,214
Human Services Programs of Carroll County, Inc.	283,904
Maryland Rural Development Corporation (Caroline, Cecil, Kent)	440,002
Montgomery County Community Action Agency	816,067
Neighborhood Services Center, Inc. (Talbot)	634,865
Shore Up Inc. (Dorchester, Queen Anne’s, Somerset, Wicomico, Worcester)	719,030
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, St. Mary’s)	562,309
United Communities Against Poverty, Inc. (Prince George’s)	970,097
Washington County Community Action Council	427,951
<i>Subtotal</i>	<i>\$12,347,834</i>
<u>Discretionary Fund Allocation:</u>	
Legal Services for Low-Income Tenants Facing Eviction	\$485,990
Maryland Community Action Partnership	100,000
Analysis of Funds Distribution and Impact	100,000
<i>Subtotal</i>	<i>\$685,990</i>
Total	\$13,033,824

Note: The grant portion of the Department of Housing and Community Development’s (DHCD) Community Services Block Grant (CSBG) allocation from the Coronavirus Aid, Relief, and Economic Security (CARES) Act totaled \$12.3 million and was awarded to the State’s community action agencies, as shown above. The remaining \$1.4 million was available for administrative and other costs. DHCD expects to encumber the allocation shown above for legal services by March 2021. The Analysis of Funds Distribution and Impact will be a study conducted in partnership with a university that will evaluate the use and impact of the awarded funds by the grantees. The fiscal 2022 allowance contains the remaining unallocated CSBG discretionary funds from the CARES Act of \$685,993.

Source: Department of Housing and Community Development

Appendix 6
Assisted Housing Relief Program

The Governor announced \$10 million in Coronavirus Relief Funds (CRF) from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to create the Assisted Housing Relief Program (AHRP) on June 26, 2020, to provide rental assistance for tenants in multifamily projects financed by the Department of Housing and Community Development’s (DHCD) Community Development Administration. The Governor announced an additional round of \$10 million in CRF for the program on November 12, 2020. However, prior to the passage of the new federal relief package in December 2020, the CRF from the CARES Act had an expenditure deadline of December 30, 2020, and the AHRP was not able to use all of the second round by that deadline. As a result, DHCD used the remaining \$4.8 million to make awards to local jurisdictions to provide additional State support to local rental assistance programs. Awards by jurisdiction for the main portion of AHRP funding is shown in **Exhibit A6.1**.

Exhibit A6.1
Assisted Housing Relief Program

<u>County</u>	<u>Months of Rent Covered</u>	<u>Amount</u>
Allegany	128	\$65,489
Anne Arundel	276	425,724
Baltimore	470	642,473
Baltimore City	1,166	1,625,538
Calvert	69	106,397
Caroline	39	27,364
Cecil	187	251,305
Charles	146	275,656
Dorchester	96	105,172
Frederick	89	193,702
Garrett	95	64,054
Harford	284	370,447
Howard	317	481,519
Kent	17	21,194
Montgomery	1,329	2,329,247
Prince George's	1,527	3,281,248
Queen Anne's	20	23,645
Somerset	96	119,802
St. Mary's	164	254,265
Talbot	45	39,866
Washington	22	27,835
Wicomico	108	90,678
Worcester	10	10,005
Total	6,700	\$10,832,624

Note: The awards for the Assisted Housing Relief Program are expected to total \$15.2 million. The Department of Housing and Community Development is still processing the remaining funding of \$4.4 million for applications covering November and December rent. Households were eligible to receive up to four months of rent relief.

Source: Department of Housing and Community Development

The awards made with the remaining \$4.8 million are shown in **Exhibit A6.2**.

**Exhibit A6.2
Supplemental Rental Assistance Awards**

<u>Recipient</u>	<u>Award</u>
Calvert County	\$180,000
Caroline County	145,000
Garrett County	79,000
Harford County Community Action Agency	50,000
Howard County	400,000
Mid-Shore Behavioral Health	110,000
Somerset County	50,000
Three Oaks Center, Inc.	150,000
United Way Of Central Maryland	3,055,000
Washington County Community Action Agency	120,000
Wicomico County	390,000
Worcester County	30,000
Total	\$4,759,000

Source: Department of Housing and Community Development

Appendix 7
Nonprofit Recovery Initiative

The Department of Housing and Community Development (DHCD) administered \$41 million of the Maryland Nonprofit Recovery Initiative (NORI). The Department of Commerce administered the remaining \$9 million. Of the \$41 million administered by DHCD, \$7.9 million was awarded to providers licensed by the Behavioral Health Administration and/or the Developmental Disabilities Administration, as shown in **Exhibit A7.1**. Originally, \$10 million was reserved for this purpose, but DHCD received applications requesting only a total of \$7.9 million, and DHCD reallocated the remaining \$2.1 million to fund awards to other nonprofits.

Exhibit A7.1
Nonprofit Recovery Initiative Awards to BHA and DDA Providers

<u>License Type</u>	<u>Providers</u>	<u>Amount</u>
Behavioral Health Administration	53	\$2,431,941
Developmental Disabilities Administration	83	4,965,216
Both	8	474,777
Total	144	\$7,871,934

BHA: Behavioral Health Administration

DDA: Developmental Disabilities Administration

Source: Department of Housing and Community Development

DHCD also awarded \$8.2 million to tourism nonprofits under the NORI program, as shown in **Exhibit A7.2**.

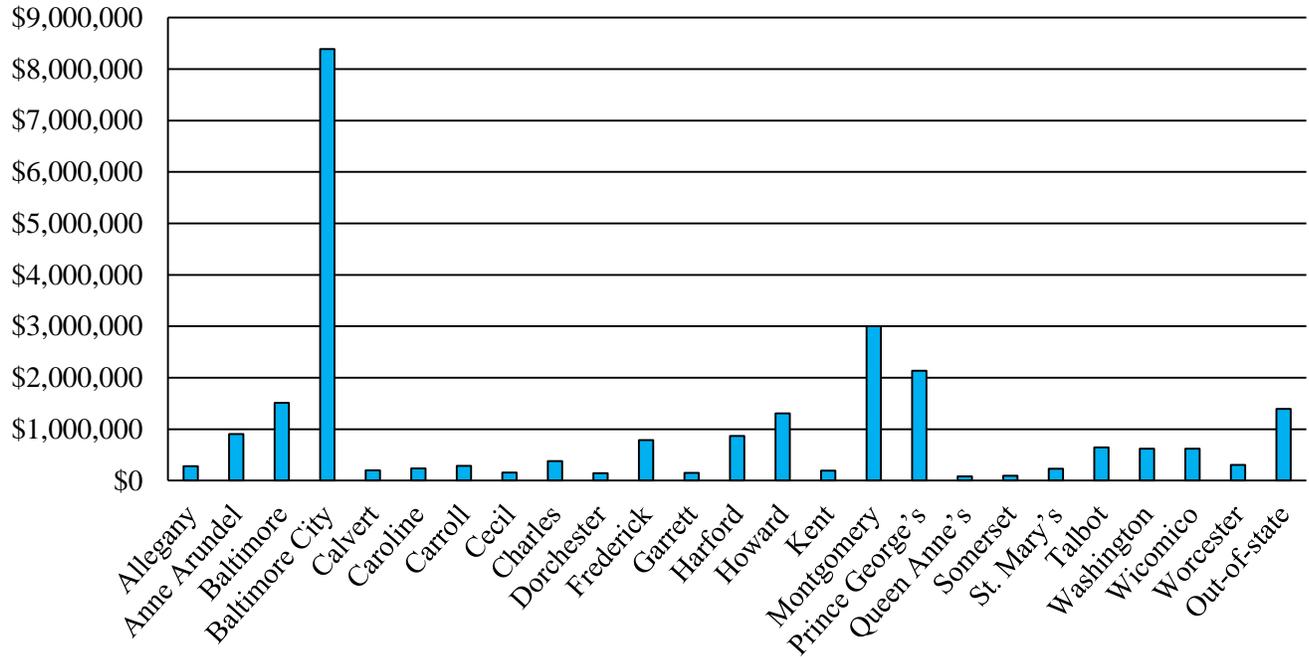
**Exhibit A7.2
Nonprofit Recovery Initiative Awards to Tourism Nonprofits**

<u>Recipient</u>	<u>County</u>	<u>Award Amount</u>
Adkins Arboretum, LTD	Caroline	\$79,936
Annapolis Maritime Museum, Inc.	Anne Arundel	375,068
Ann’s Circle, Inc.	Calvert	77,750
Art Works Studio School, Inc.	Prince George’s	94,351
Babe Ruth Birthplace Foundation, Inc.	Baltimore City	139,709
Baltimore Museum of Industry, Inc.	Baltimore City	500,000
Chesapeake Bay Maritime Museum, Inc.	Talbot	100,257
Creative Alliance, Inc.	Baltimore City	450,311
Discovery Station at Hagerstown, Inc.	Washington	83,296
Glen Echo Park Partnership for Arts and Culture, Inc.	Montgomery	100,000
Historic Annapolis, Inc.	Anne Arundel	203,200
Historic Ships in Baltimore, Inc.	Baltimore City	500,000
Historic Sotterley, Inc.	St. Mary’s	178,678
Irvine Natural Science Center, Inc.	Baltimore	222,907
Maryland Academy of Sciences	Baltimore City	500,000
Maryland Zoological Society, Inc.	Baltimore City	105,904
National Aquarium, Inc.	Baltimore City	500,000
National Museum of Civil War Medicine, Inc.	Frederick	180,000
Poe Baltimore, Inc.	Baltimore City	195,000
Project Liberty Ship, Inc.	Baltimore City	193,000
Pyramid Atlantic, Inc.	Prince George’s	75,000
Salisbury Zoo Commission Inc.	Wicomico	80,000
The American Visionary Art Museum, Inc.	Baltimore City	500,000
The B&O Railroad Museum, Inc.	Baltimore City	500,000
The Baltimore Children's Museum, Inc.	Baltimore City	500,000
The Baltimore Museum of Art, Inc.	Baltimore City	476,813
The Delaplaine Arts Center, Inc.	Frederick	79,869
The Metropolitan Center for the Visual Arts, Inc.	Montgomery	100,000
The National Great Blacks In Wax Museum, Inc.	Baltimore City	173,157
The Ward Foundation, Inc.	Wicomico	75,773
Walters Art Museum Foundation, Inc.	Baltimore City	310,500
Western Maryland Scenic Railroad Development Corporation	Allegany	500,000
Total		\$8,150,479

Source: Department of Housing and Community Development

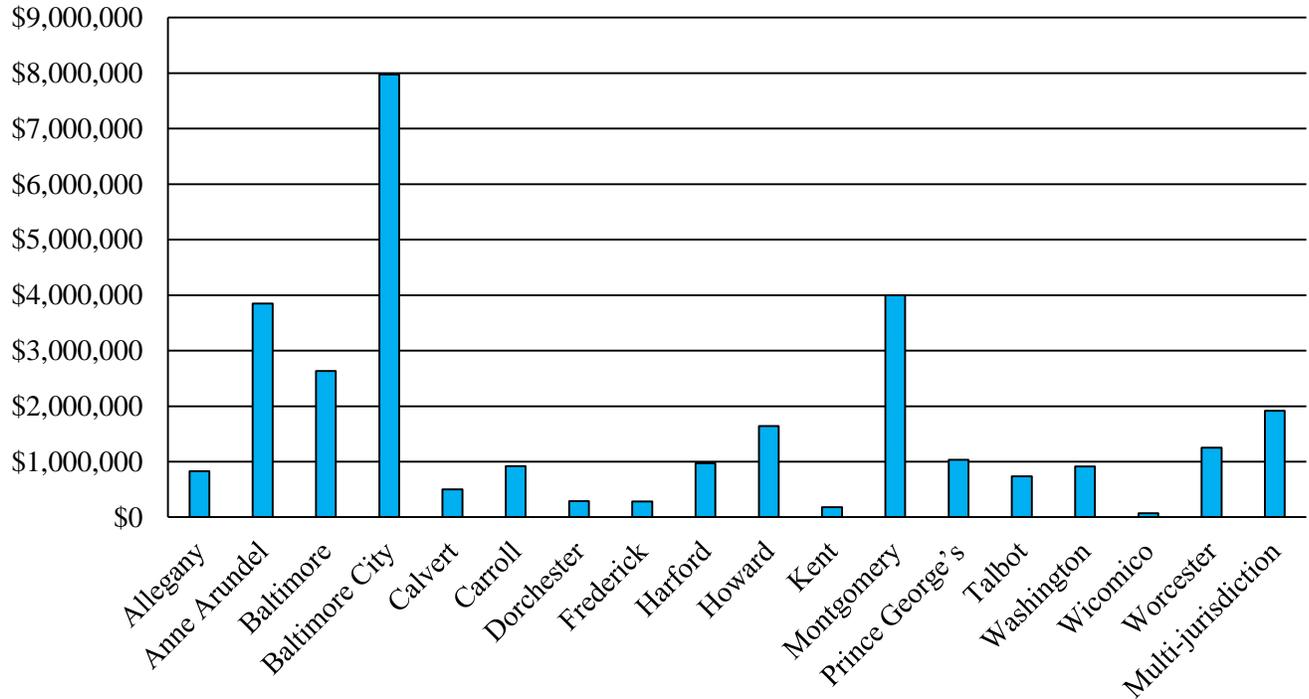
Exhibit A7.3 shows the remaining \$24.9 million in awards made by DHCD to 946 nonprofits under the NORI program by jurisdiction.

Exhibit A7.3
Other Nonprofit Recovery Initiative Awards



Source: Department of Housing and Community Development

Appendix 8
Relief for Entertainment Venues by County



Note: The Department of Housing and Community Development made 92 awards totaling \$30 million, with 51.7% awarded to entertainment venues, 35.8% to independent movie theaters, and 12.3% to promoters.

Source: Department of Housing and Community Development

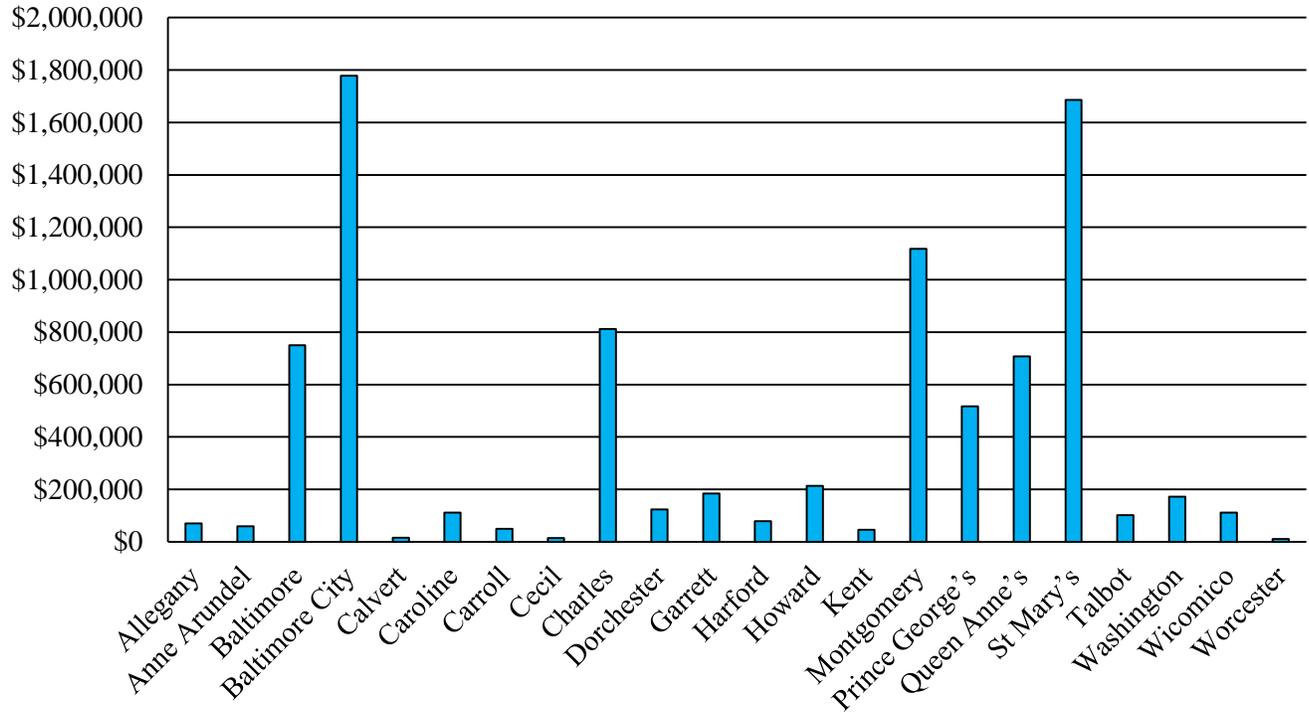
S00A – Department of Housing and Community Development

**Appendix 9
Relief to Main Street Communities**

<u>Recipient</u>	<u>Award Amount</u>
Bel Air Downtown Alliance, Inc.	\$138,653
Belair-Edison Neighborhoods, Inc.	65,364
Brunswick Main Street, Inc.	95,868
Cambridge Main Street, Inc.	99,829
City of Aberdeen	52,291
City of Hagerstown	178,268
City of Laurel	187,378
City of Salisbury	130,730
City of Taneytown	29,712
City of Westminster	43,576
Community Foundation of Carroll County	52,292
Downtown Annapolis Partnership, Inc.	174,305
Downtown Denton Main Street, Inc.	32,682
Downtown Ellicott City Partnership, Inc.	152,517
Downtown Frederick Partnership, Inc.	191,737
Dundalk Renaissance Corporation	174,305
Elkton Alliance, Inc.	99,038
Federal Hill Main Street, Inc.	196,094
Fell's Point Main Street, Inc.	87,153
Hamilton-Lauraville Main Street, Inc.	187,378
Havre De Grace Alliance, Inc.	150,339
Historic Frostburg – A Main Street Maryland Community, Inc.	71,308
Main Street Historic Chestertown, Inc.	130,729
Main Street Middletown	152,518
Main Street Princess Anne, Inc.	100,226
Mayor & City of Cumberland, Maryland	39,616
Mid-Shore Community Foundation, Inc.	194,113
Mount Airy Main Street Association, Inc.	152,518
Oakland Heritage Community Foundation, Inc.	108,941
Ocean City Development Corporation	99,038
Old Takoma Business Association	188,963
Pigtown Main Street, Inc.	178,862
Reisterstown Improvement Association, Inc.	152,517
Southeast Community Development Corporation	184,209
Town Council of Centreville	105,375
Town of Berlin	138,653
Town of New Market	74,080
Town of Thurmont	51,499
Town of Williamsport	74,080
Upton Planning Committee, Inc.	152,517
Waverly Main Street, Inc.	130,729
Total	\$5,000,000

Source: Department of Housing and Community Development

Appendix 10
Broadband Awards to Local School Districts



Note: Frederick and Somerset County Public Schools did not request funding.

Source: Department of Housing and Community Development

Appendix 11
Object/Fund Difference Report
Department of Housing and Community Development

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	331.00	331.00	331.00	0.00	0%
02 Contractual	69.39	94.00	89.00	-5.00	-5.3%
Total Positions	400.39	425.00	420.00	-5.00	-1.2%
Objects					
01 Salaries and Wages	\$ 36,639,401	\$ 40,790,254	\$ 38,910,999	-\$ 1,879,255	-4.6%
02 Technical and Special Fees	4,855,505	5,170,866	5,120,083	-50,783	-1.0%
03 Communication	159,659	193,466	150,290	-43,176	-22.3%
04 Travel	232,301	354,817	263,180	-91,637	-25.8%
06 Fuel and Utilities	147,776	200,000	205,000	5,000	2.5%
07 Motor Vehicles	147,054	159,430	180,386	20,956	13.1%
08 Contractual Services	21,879,021	32,648,262	29,296,850	-3,351,412	-10.3%
09 Supplies and Materials	176,414	272,850	211,802	-61,048	-22.4%
10 Equipment – Replacement	39,319	377,500	376,500	-1,000	-0.3%
11 Equipment – Additional	6,127	104,500	111,000	6,500	6.2%
12 Grants, Subsidies, and Contributions	317,472,749	436,205,489	319,147,784	-117,057,705	-26.8%
13 Fixed Charges	4,892,068	5,154,931	5,000,389	-154,542	-3.0%
14 Land and Structures	102,026	0	0	0	0.0%
Total Objects	\$ 386,749,420	\$ 521,632,365	\$ 398,974,263	-\$ 122,658,102	-23.5%
Funds					
01 General Fund	\$ 12,793,356	\$ 13,797,216	\$ 11,293,384	-\$ 2,503,832	-18.1%
03 Special Fund	64,506,627	98,903,444	74,206,811	-24,696,633	-25.0%
05 Federal Fund	301,335,853	382,810,649	302,688,190	-80,122,459	-20.9%
09 Reimbursable Fund	8,113,584	26,121,056	10,785,878	-15,335,178	-58.7%
Total Funds	\$ 386,749,420	\$ 521,632,365	\$ 398,974,263	-\$ 122,658,102	-23.5%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, general salary increases, or across-the-board reductions. The fiscal 2022 allowance does not include annual salary reviews or annualization of general salary increases.

**Appendix 12
Fiscal Summary
Department of Housing and Community Development**

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
20 Office of the Secretary	\$ 15,380,939	\$ 43,265,103	\$ 16,401,989	-\$ 26,863,114	-62.1%
22 Division of Credit Assurance	5,725,951	6,317,863	5,924,775	-393,088	-6.2%
24 Division of Neighborhood Revitalization	47,306,230	131,171,845	33,615,017	-97,556,828	-74.4%
25 Division of Development Finance	310,129,488	331,742,696	334,146,805	2,404,109	0.7%
26 Division of Information Technology	2,637,036	3,395,830	3,120,817	-275,013	-8.1%
27 Division of Finance And Administration	5,569,776	5,739,028	5,764,860	25,832	0.5%
Total Expenditures	\$ 386,749,420	\$ 521,632,365	\$ 398,974,263	-\$ 122,658,102	-23.5%
General Fund	\$ 12,793,356	\$ 13,797,216	\$ 11,293,384	-\$ 2,503,832	-18.1%
Special Fund	64,506,627	98,903,444	74,206,811	-24,696,633	-25.0%
Federal Fund	301,335,853	382,810,649	302,688,190	-80,122,459	-20.9%
Total Appropriations	\$ 378,635,836	\$ 495,511,309	\$ 388,188,385	-\$ 107,322,924	-21.7%
Reimbursable Fund	\$ 8,113,584	\$ 26,121,056	\$ 10,785,878	-\$ 15,335,178	-58.7%
Total Funds	\$ 386,749,420	\$ 521,632,365	\$ 398,974,263	-\$ 122,658,102	-23.5%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, general salary increases, or across-the-board reductions. The fiscal 2022 allowance does not include annual salary reviews or annualization of general salary increases.