

SA0
Department of Housing and Community Development

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

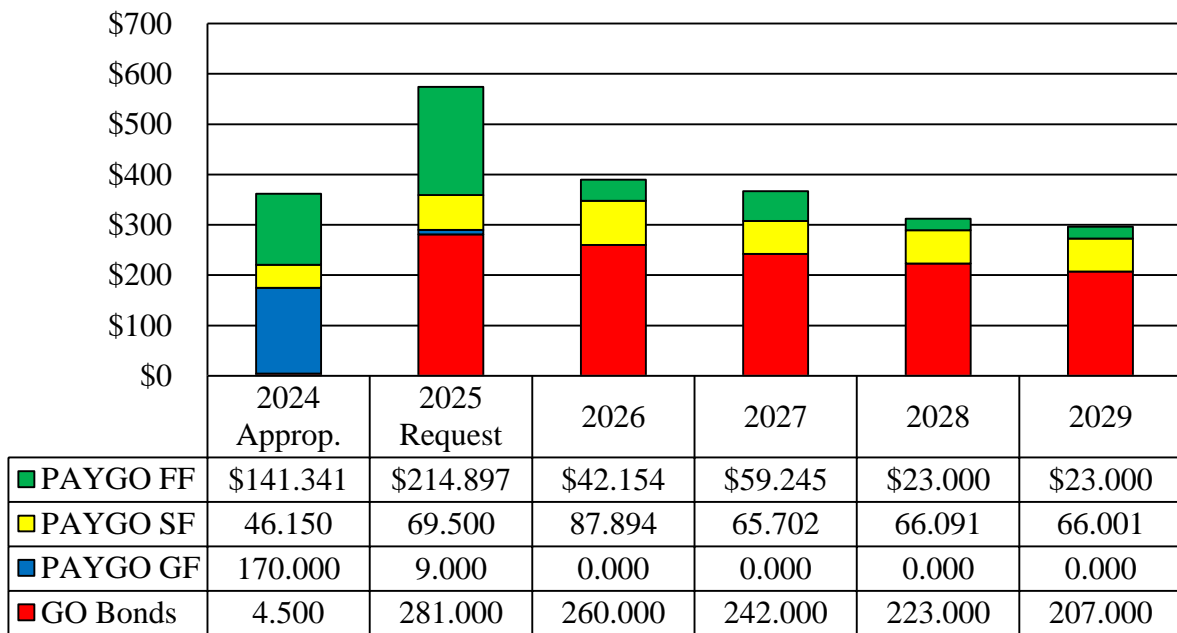
Program	2024 Approp.	2025 Request	2026 Est.	2027 Est.	2028 Est.	2029 Est.
Community Development Block Grant Program	\$12.000	\$12.000	\$12.000	\$12.000	\$12.000	\$12.000
Baltimore Regional Neighborhood Initiative	12.000	27.000	27.000	27.000	27.000	27.000
Business Façade Improvement Program	1.500	5.000	5.000	5.000	5.000	5.000
Community Legacy Program	6.000	8.000	8.000	8.000	8.000	8.000
National Capital Strategic Economic Development Program	7.000	12.000	12.000	12.000	12.000	12.000
Neighborhood Business Development Program	12.200	28.314	28.358	45.494	12.403	12.523
Seed Community Development Anchor Institution Fund	10.000	10.000	10.000	10.000	10.000	10.000
Strategic Demolition Fund	25.000	60.000	60.000	60.000	60.000	60.000
Downtown Partnership of Baltimore	9.000	9.000	0.000	0.000	0.000	0.000
Appraisal Gap Program	10.000	10.000	10.000	10.000	10.000	10.000
Homeownership Programs	22.700	21.000	23.250	25.513	25.788	26.078
Housing and Building Energy Programs	17.350	38.400	56.500	34.000	34.000	33.500
Partnership Rental Housing Program	6.000	6.000	8.000	8.000	8.000	8.000
Rental Housing Programs	92.600	138.500	113.500	93.500	74.500	58.500

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SA0 – Department of Housing and Community Development – Capital

Program	2024 Approp.	2025 Request	2026 Est.	2027 Est.	2028 Est.	2029 Est.
Shelter and Transitional Housing Facilities Grant Program	\$3.000	\$3.000	\$3.000	\$3.000	\$3.000	\$3.000
Special Loan Programs	20.641	13.445	13.440	13.440	10.400	10.400
Statewide Broadband Infrastructure	95.000	172.738	0.000	0.000	0.000	0.000
Total	\$361.991	\$574.397	\$390.048	\$366.947	\$312.091	\$296.001



FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: The Appraisal Gap Program was formerly known as Homeownership Works and was previously budgeted as part of the Neighborhood Business Development Program. Funding shown for the Seed Community Development Anchor Institution Fund does not include \$10.0 million of nonbudgeted matching funds from recipient institutions reflected in the *Capital Improvement Program* in fiscal 2025 to 2029. The fiscal 2024 appropriation includes deficiencies of \$10.6 million in federal funds for Rental Housing Programs, \$2.2 million in federal funds for Special Loan Programs, and \$1.0 million in special funds for Homeownership Programs. The fiscal 2025 request does not include \$5.0 million in general funds for the Business Façade Improvement Program that are contingently reduced by the Budget Reconciliation and Financing Act of 2024.

Key Observations

- ***Department of Housing and Community Development (DHCD) Fiscal 2025 Capital Budget Increases 59% to Record High \$574.4 Million:*** The increased funding is nearly triple the amount planned in last year’s *Capital Improvement Program (CIP)*, and the 2024 CIP also significantly increases planned funding throughout the out-years. Major increases include funding for Rental Housing Programs, the Strategic Demolition Fund, and the Baltimore Regional Neighborhood Initiative (BRNI).
- ***Broadband:*** The fiscal 2025 budget includes the remaining \$172.7 million out of \$267.7 million total in federal Infrastructure Investment and Jobs Act (IIJA) funds for broadband infrastructure. DHCD plans to include provisional awards for projects in its final proposal due to the National Telecommunications and Information Administration (NTIA) in December 2024, with projects expected to be completed by the end of calendar 2028.

PAYGO Recommended Actions

	<u>Amount Reduction</u>	
1. Delete general funds for the Business Façade Improvement Program that are contingently reduced by the Budget Reconciliation and Financing Act of 2024. The program is fully funded using general obligation bonds.	\$5,000,000	GF
Total General Fund Reductions	\$5,000,000	

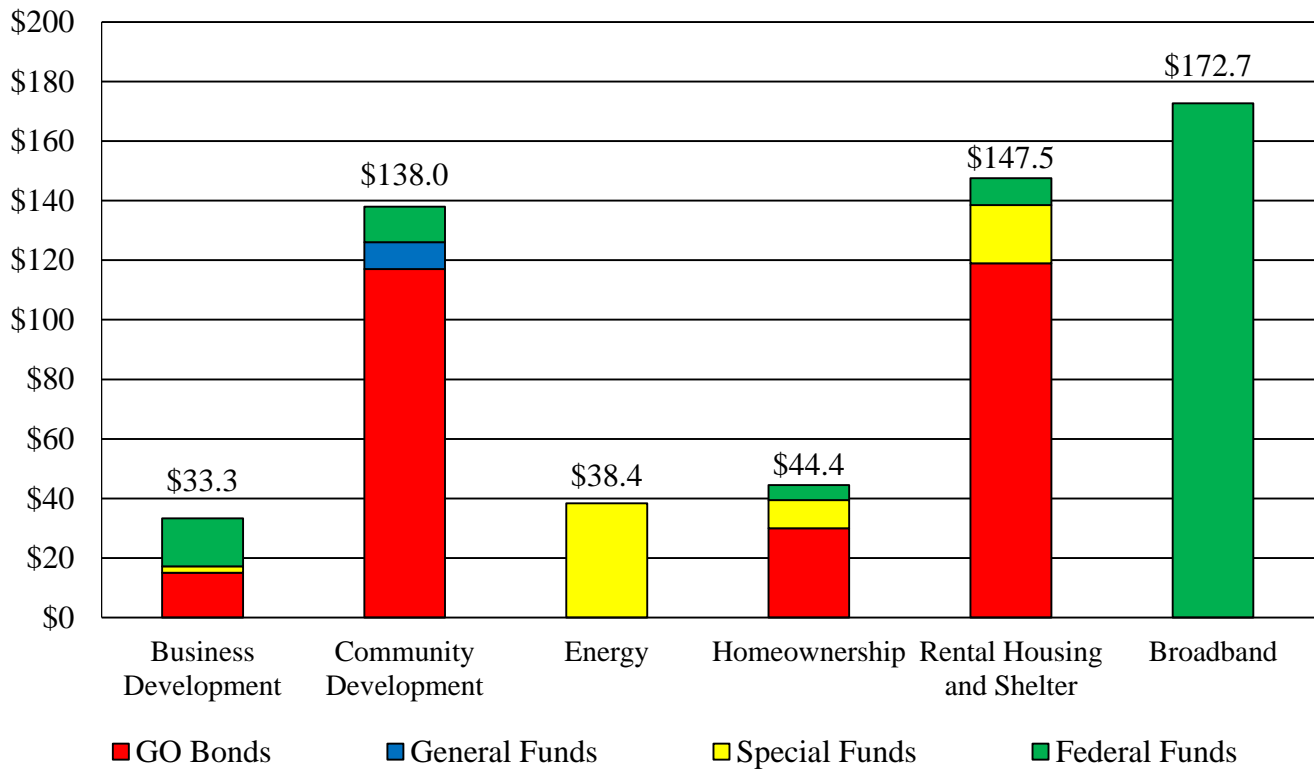
GO Bond Recommended Actions

1. Reduce funding for the Baltimore Regional Neighborhood Initiative.		
SA24A	Baltimore Regional Neighborhood Initiative	\$12,000,000
Explanation: Reduce funding for the Baltimore Regional Neighborhood Initiative to the mandated funding level of \$12.0 million.		
Total General Obligation Bonds Reductions		\$15,000,000

Budget Overview of Grant and Loan Programs

DHCD’s fiscal 2025 proposed capital budget totals \$574.4 million across 17 programs. DHCD uses its capital funding to create and preserve affordable rental housing, promote homeownership, improve energy efficiency for low-income households, and provide financial assistance for business and community development projects. The department also provides grants to expand broadband infrastructure in the State. **Exhibit 1** shows the proposed fiscal 2025 funding by category, with federal funds for broadband infrastructure comprising 30% of the budget, while rental housing and shelter programs and various community development programs each account for about a quarter. Program descriptions for all 17 programs can be found in **Appendix 1**.

Exhibit 1
Fiscal 2025 Request by Fund Source
 (\$ in Millions)



GO: general obligation

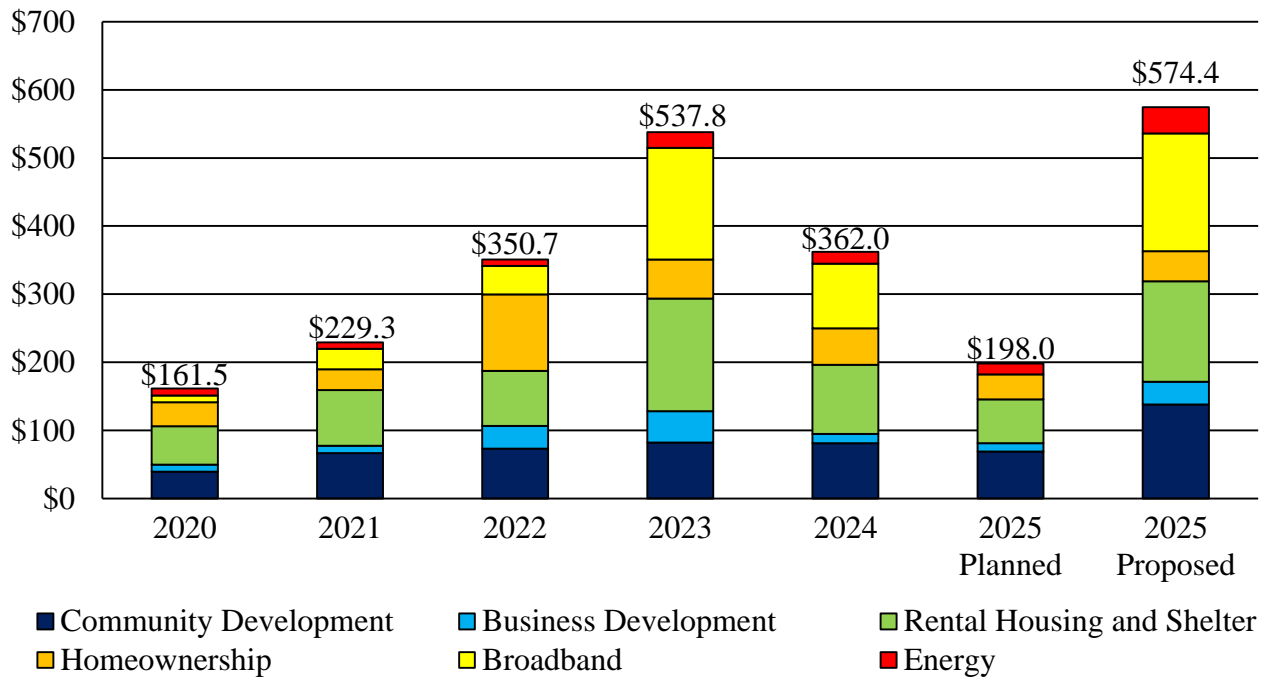
Source: Department of Budget and Management

SA0 – Department of Housing and Community Development – Capital

As shown in **Exhibit 2**, DHCD’s capital budget increases by 59% in fiscal 2025 compared to fiscal 2024 to a record high total of \$574.4 million, nearly triple the amount planned in last year’s CIP. Significant enhancements include:

- **Rental Housing:** Funding for Rental Housing Programs increases by 50% to \$138.5 million in fiscal 2025, including \$110 million in general obligation (GO) bonds;
- **Community Development, particularly in Baltimore City:** Fiscal 2025 funding for the Strategic Demolition Fund totals \$60 million in GO bonds, including \$50 million for Project C.O.R.E. (formerly Creating Opportunities for Renewal and Enterprise, now rebranded as Creating Opportunities for Revitalization and Equity) in Baltimore City. Funding for BRNI totals \$27 million in GO bonds, exceeding the \$12 million mandate. The fiscal 2025 request also includes \$9 million in pay-as-you-go (PAYGO) general funds for the Downtown Partnership of Baltimore; and
- **Broadband:** The fiscal 2025 budget includes the remaining \$172.7 million out of \$267.7 million total in federal IJA funds for broadband infrastructure.

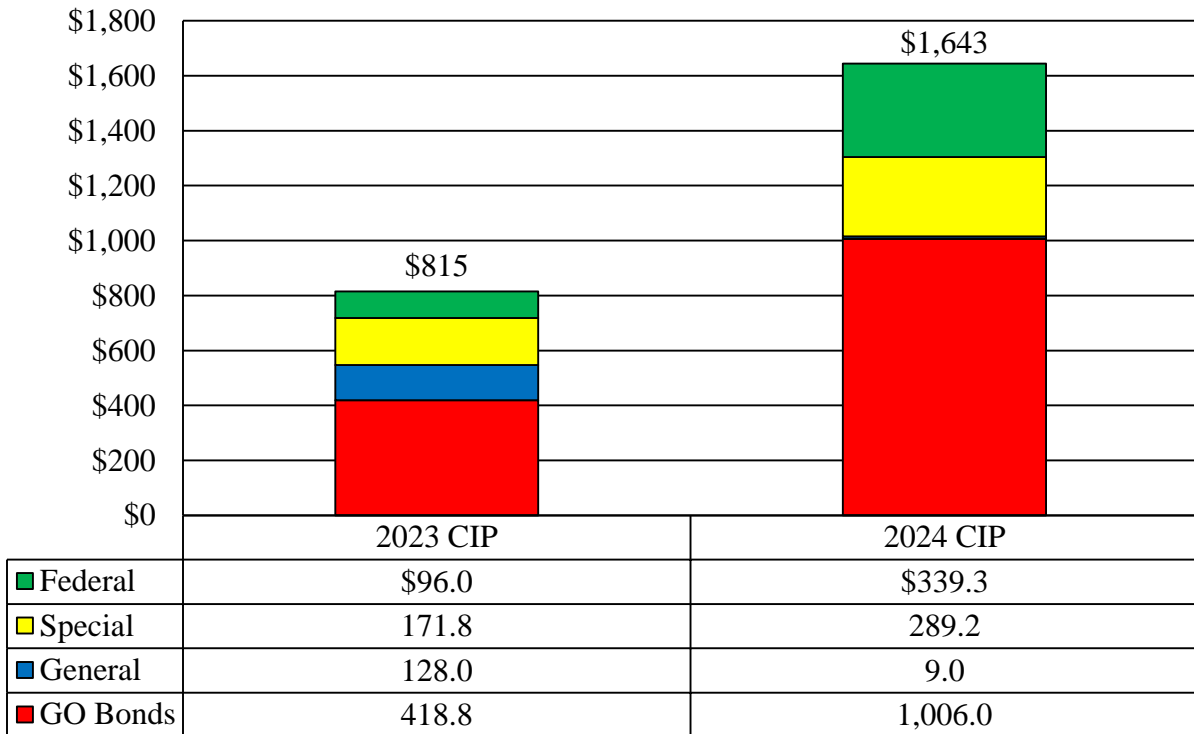
Exhibit 2
Department of Housing and Community Development Capital Budget
Fiscal 2020-2025 Actual, Planned, and Proposed
(\$ in Millions)



Source: Department of Budget and Management

Increased funding for DHCD extends beyond enhancements in fiscal 2025, with significant increases throughout the out-years of the CIP compared to what was previously planned. As shown in **Exhibit 3**, for the four years in which the 2023 and 2024 CIPs overlap, DHCD funding more than doubles to more than \$1.6 billion. The CIP maintains annual funding of \$60 million for the Strategic Demolition Fund and \$27 million for BRNI, and while planned funding for rental housing decreases slightly annually in the out-years, it remains well above the levels previously planned. DHCD’s operating budget includes significant increases in personnel in the fiscal 2025 allowance, in part to manage increased capital funding.

Exhibit 3
Department of Housing and Community Development
Comparison of 2023 and 2024 CIPs
Fiscal 2025-2028
(\$ in Millions)



CIP: *Capital Improvement Program*
 GO: *general obligation*

Source: Department of Budget and Management

Fiscal 2024

Implementation of Legislative Priorities

The General Assembly directed PAYGO general funds totaling \$10.4 million within DHCD programs for several projects in fiscal 2024 listed in **Exhibit 4**. DHCD announced all fiscal 2024 awards under its State Revitalization Programs in December 2023, including all of the legislative priority projects. The General Assembly also added \$5.5 million in PAYGO general funds for the Downtown Partnership of Baltimore to DHCD’s fiscal 2024 appropriation in addition to \$3.5 million that was provided through a supplemental budget. Funding for the Downtown Partnership of Baltimore is discussed further in Issue 2 of this analysis.

Exhibit 4
DHCD Capital Budget Legislative Priorities
Fiscal 2024
(\$ in Thousands)

<u>Project</u>	<u>Jurisdiction</u>	<u>Program</u>	<u>Amount</u>
Downtown Partnership of Baltimore	Baltimore City	n/a	\$5,500
Cheverly Hospital Demolition	Prince George’s	NED; Strategic Demolition Fund	4,000
Edmondson Village Shopping Center	Baltimore City	BRNI	2,000
Burtonsville Crossing Shopping Center	Montgomery	NED	2,000
Marlboro Pike Partnership	Prince George’s	NED	1,000
Washington College	Kent	Strategic Demolition Fund	500
Central Baltimore Partnership – McCormick Building	Baltimore City	BRNI	400
Eager Landing	Baltimore City	BRNI	250
Historic East Baltimore Community Action Coalition	Baltimore City	BRNI	200
Total			\$15,850

BRNI: Baltimore Regional Neighborhood Initiative
DHCD: Department of Housing and Community Development
NED: National Capital Strategic Economic Development Program

Note: The amount shown for the Downtown Partnership of Baltimore represents the funding added by the General Assembly; the project received an additional \$3.5 million in fiscal 2024 through a supplemental budget. The Cheverly Hospital Demolition project received \$2.0 million through the NED program and \$2.0 million through the Strategic Demolition Fund in addition to \$8.0 million in general obligation bonds through the Department of General Services Miscellaneous Grant Program.

Source: Department of Legislative Services

Proposed Deficiencies

The fiscal 2025 budget includes proposed deficiencies in DHCD’s capital programs for fiscal 2024:

- \$10.6 million in federal funds for Rental Housing Programs, including \$7.6 million available from the HOME Investment Partnerships Program and \$3.0 million from the national Housing Trust Fund. DHCD advises that the additional appropriation is needed in fiscal 2024 due to delays in closing several projects from the prior fiscal year in addition to higher than anticipated project costs;
- \$2.2 million in federal funds for Special Loan Programs available from the American Rescue Plan Act (ARPA) for the HOME Investment Partnerships Program (HOME-ARP). DHCD’s overall HOME-ARP award totals \$24.0 million, which DHCD anticipates spending over the course of fiscal 2023 to 2030. DHCD plans to allocate the bulk of the funding to the creation of affordable rental housing. After accounting for this proposed deficiency, the fiscal 2024 working appropriation includes \$10.2 million in HOME-ARP funds under Special Loan Programs, and the fiscal 2025 allowance includes \$5.0 million; and
- \$1.0 million in special funds from Montgomery County in Homeownership Programs to supplement down payment assistance for homebuyers from Montgomery County under an ongoing memorandum of understanding (MOU).

New and Increased Mandates in Fiscal 2025

Chapter 437 of 2023 established the Business Façade Improvement Program in DHCD to assist qualified businesses with improving the outside appearance of the businesses’ buildings and facilities and mandated \$5.0 million annually beginning in fiscal 2025. DHCD must distribute funds to counties and municipalities, which award grants to local businesses. The Budget Reconciliation and Financing Act (BRFA) of 2024 includes a provision that would authorize the mandate to be fulfilled in either the operating or capital budget, rather than only the operating budget. The fiscal 2025 budget includes \$5.0 million in GO bonds for the program as well as a \$5.0 million reduction in PAYGO general funds, contingent on the BRFA altering the mandate. **The Department of Legislative Services (DLS) recommends deleting the \$5.0 million in general funds that are contingently reduced. The Business Façade Improvement Program would remain fully funded with \$5.0 million in GO bonds.** The program also received \$1.5 million in GO bonds in fiscal 2024, and DHCD awarded these funds to 17 local programs in December 2023.

Chapter 494 of 2023 increased the mandate for the National Capital Strategic Economic Development Program (NED) from \$7.0 million to \$12.0 million annually beginning in

fiscal 2025. The fiscal 2025 budget fully funds the mandate using GO bonds, and the CIP plans \$12.0 million in GO bonds annually in the out-years.

Appraisal Gap Program

Chapters 702 and 703 of 2021 established the Appraisal Gap from Historic Redlining Financial Assistance Program within DHCD, and Chapters 134 and 135 of 2023 made several administrative alterations to the program. The statutory purpose of the program is to provide financial assistance to affordable housing developers working in low-income census tracts and sustainable communities to help close appraisal gaps, which are defined as the difference between a project's total eligible development costs and the price it can be sold for in the market. The program aims to increase homeownership in disinvested neighborhoods.

DHCD piloted the program through a similar initiative known as Homeownership Works, which had previously been budgeted under the Neighborhood Business Development Program. The program received \$10.2 million in State Fiscal Recovery Funds from the ARPA across fiscal 2022 and 2023 and \$10.0 million in PAYGO general funds in fiscal 2024, and last year's CIP had planned \$5.0 million annually in subsequent years. The fiscal 2025 budget includes \$10.0 million for the Appraisal Gap Program, and the CIP programs \$10.0 million annually in the out-years. DHCD has branded the Appraisal Gap Program under the name Utilizing Progressive Lending Investments to Finance Transformation (UPLIFT).

The Homeownership Works program was piloted in two communities selected by DHCD (Johnston Square in Baltimore City and the Pine Street Historic District in Cambridge), whereas the UPLIFT/Appraisal Gap Program will allocate funds through a rolling application process beginning in fiscal 2024. DHCD anticipates that the application portal will be open by mid-March 2024. Loan awards will be made to development teams to acquire, develop, build, and sell affordable housing in targeted neighborhoods. Applicants will be required to submit a Neighborhood Network Strengthening Plan as part of their application, including identifying local institutions and a plan to connect new occupants to those institutions. State funding will also cover the appraisal gap between the cost to produce this housing and the eventual sales price, providing it to the homebuyer in the form of a promissory note, which will be forgiven after a term of five years.

DHCD expects that the \$10.0 million in fiscal 2024 funding will support the creation or rehabilitation of 200 housing units across approximately 8 to 25 projects, based on funding of \$50,000 per unit and projects producing approximately 8 to 25 units each. At least 25% of units within each project must be reserved for sale to households earning 80% or less of the area median income (AMI). DHCD anticipates that funding from other DHCD programs such as Special Loans and Housing and Building Energy Programs will also support the renovation of properties owned by legacy homeowners within the targeted areas.

Expansion of the EmPOWER Program

DHCD's fiscal 2025 capital budget includes \$35.9 million for the EmPOWER Maryland program, an increase of \$21.1 million, or 142%, over fiscal 2024. EmPOWER Maryland is funded through an assessment on utility ratepayers and helps low-income households undertake energy conservation projects in their homes at no charge. The EmPOWER program operates in three-year program cycles, and in December 2023, the Public Service Commission (PSC) approved DHCD's proposal for the 2024-2026 program cycle that included a significant expansion of program activity in order to meet the goals established by Chapter 572 of 2023. Chapter 572 required that DHCD energy efficiency and conservation programs be designed to achieve a target annual incremental gross energy savings compared to calendar 2016 of at least 0.53% in calendar 2024, 0.72% in calendar 2025, and 1.0% in calendar 2026.

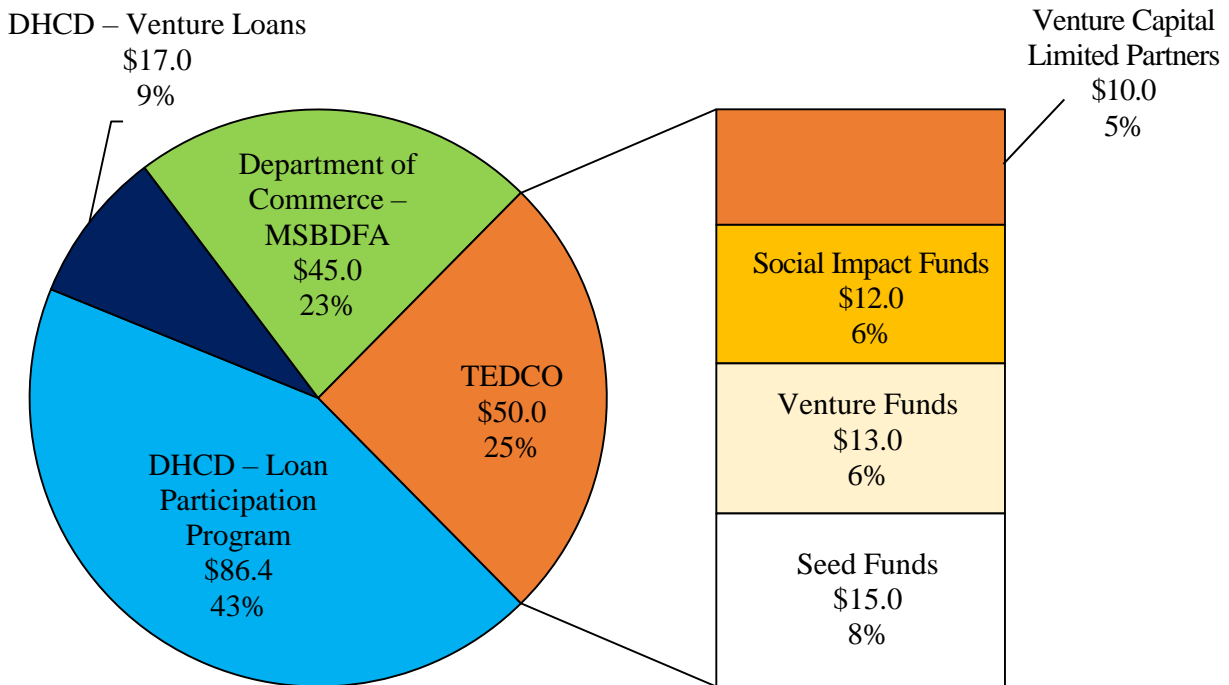
DHCD's capital budget includes funding for the multifamily housing portion of EmPOWER, while the single-family component is funded in DHCD's operating budget. Funding in DHCD's operating budget for EmPOWER also increases by \$15.2 million to a total of \$38.0 million in fiscal 2025, which is discussed further in the operating budget analysis for S00A – DHCD.

DHCD's capital budget also includes \$2.5 million for the BeSMART program, a revolving loan fund that was originally funded through a federal Energy Efficiency Conservation Block Grant. The BeSMART program provides financing to homeowners or multifamily rental properties for the purchase and installation of energy efficiency measures, including upgrading appliances, HVAC systems, and whole house envelope improvements. Prior appropriations for the BeSMART program have used federal funds, while the fiscal 2025 budget and CIP recategorize this funding as special funds in order to recognize that the funding is recycled loan funding rather than a new federal award.

State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) funds State programs that expand access to capital for small and underserved businesses. The ARPA provided a total of \$198.4 million to Maryland for the SSBCI, including \$20.7 million set aside for businesses owned by socially and economically disadvantaged individuals (SEDI) and \$11.0 million that will become available to the State once Maryland achieves performance standards related to assisting SEDI businesses. The U.S. Department of the Treasury (U.S. Treasury) will provide the funding to the State across three tranches, with the next tranche becoming available upon obligation of 80% of funds from the prior tranche. While DHCD is the lead agency for the State's SSBCI funding, the funding will also be deployed through programs at the Department of Commerce (Commerce) and the Maryland Technology Development Corporation (TEDCO), as shown in **Exhibit 5**. As of December 2023, DHCD, Commerce, and TEDCO had awarded a combined total of \$41.1 million in SSBCI funds. Of the funds awarded directly to businesses, 57% have been awarded to SEDI-owned businesses, which is well above the established target of 35% set for Maryland by the U.S. Treasury.

Exhibit 5
State Small Business Credit Initiative Allocations
 (\$ in Millions)



DHCD: Department of Housing and Community Development
 MSBDFA: Maryland Small Business Development Financing Authority
 TEDCO: Maryland Technology Development Corporation

Source: Department of Housing and Community Development

Of DHCD’s total SSBCI allocation of \$103.4 million, DHCD’s fiscal 2022 and 2023 capital budgets included \$12.0 million and \$21.0 million, respectively, and the fiscal 2025 capital budget includes \$16.1 million under the Neighborhood Business Development Program. The CIP plans an additional \$16.1 million in SSBCI funds in fiscal 2026 and \$33.2 million in fiscal 2027. In addition, \$1.6 million has been added to DHCD’s operating budget for administrative expenses from fiscal 2022 through the fiscal 2025 allowance. Funding for non-DHCD programs is discussed in the operating budget analyses T00 – Commerce and T50T01 – TEDCO.

DHCD’s Loan Participation Program provides loans of \$250,000 to \$5.0 million to assist small businesses with working capital and real estate acquisition or renovation. DHCD is also allocating a portion of the funding to Community Development Financial Institutions (CDFI) to make loans of less than \$250,000. DHCD reports that two CDFIs are currently active under the program, with a third expected to become active by March 2024. The Venture Funds program is

designed for businesses with high job growth potential that have already raised early-stage equity and are in need of bridge financing. The program provides equity investments of \$500,000 to \$5.0 million. Priority for both programs is given to businesses with fewer than 10 employees or that are SEDI-owned businesses.

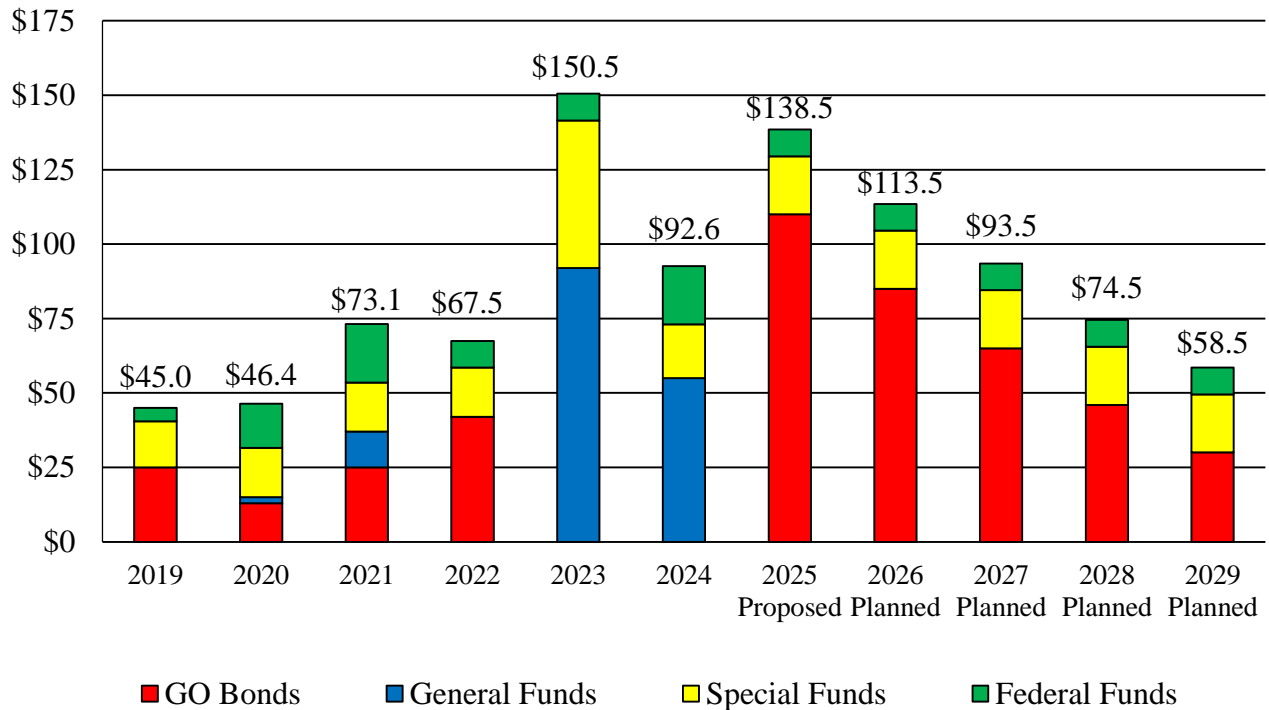
Issues

1. Increased Funding for Rental Housing Programs

Rental Housing Programs are used to rehabilitate and create new affordable housing for low- to moderate-income individuals, families, and elderly residents or special needs populations. Funding is typically paired with financing through Low Income Housing Tax Credits (LIHTC) and/or DHCD's Multifamily Bond Program. Two types of LIHTCs are available – 9% credits are limited and awarded competitively, while 4% credits are unlimited for qualified projects financed with tax-exempt housing bonds.

As shown in **Exhibit 6**, funding for Rental Housing Programs has increased significantly over the past several years. Fiscal 2025 funding totals \$138.5 million, which is a 50% increase over fiscal 2024 and 150% more than the \$55.5 million that was planned in last year's CIP for fiscal 2025. The CIP plans gradually decreasing funding in the out-years but at levels still far above what had been planned previously; for the four years of overlap, the 2024 CIP plans \$198 million more for Rental Housing Programs than the 2023 CIP.

Exhibit 6
Funding for Rental Housing Programs
Fiscal 2019-2029 Actual, Proposed, and Planned
(\$ in Millions)



GO: general obligation

Note: Fiscal 2024 includes a proposed \$10.6 million federal fund deficiency.

Source: Department of Budget and Management

Rental Housing Works

The largest component of DHCD’s Rental Housing Programs is Rental Housing Works (RHW), for which DHCD uses its GO bond allocation, totaling \$110 million in fiscal 2025. RHW provides loans to both nonprofit and for-profit developers for projects that are financed using 4% LIHTCs and the Multifamily Bond Program, so applicants must fulfill the requirements for those programs as well. Projects include new construction, acquisition, and/or rehabilitation of existing housing, with a minimum of five units, and 20% of the units must be available to households earning 50% or less of the AMI, or 40% to households earning 60% or less of the AMI. The maximum RHW loan amount is generally \$3.5 million, and applications are accepted on a rolling basis.

Exhibit 7 shows the funding provided through RHW by county since calendar 2012 as well as the current pipeline for upcoming RHW projects. The RHW pipeline exceeds \$260 million for projects to create or rehabilitate more than 8,700 housing units. DHCD estimates that Maryland has a housing shortage of at least 96,000 units, while the National Low Income Housing Coalition estimated a shortfall in Maryland of more than 146,000 units affordable for households below 30% of the AMI, based on 2021 data from the American Community Survey.

Exhibit 7
RHW Closed Projects and Project Pipeline
Calendar 2012-2023
(\$ in Millions)

<u>Jurisdiction</u>	Closed Projects		Pipeline	
	<u>RHW Award</u>	<u>Units</u>	<u>Anticipated RHW Award</u>	<u>Units</u>
Allegany	\$2.9	146	\$2.9	100
Anne Arundel	24.0	987	9.5	183
Baltimore	38.6	1,649	23.5	914
Baltimore City	79.8	4,253	85.4	2,566
Calvert	2.5	67	0.0	0
Caroline	2.5	88	8.9	163
Carroll	5.0	180	0.0	0
Cecil	19.8	694	3.5	76
Charles	0.0	0	7.0	348
Dorchester	0.0	0	2.5	44
Frederick	21.4	876	11.4	422
Harford	11.9	574	0.0	0
Howard	13.2	658	20.0	358
Kent	4.3	101	5.0	80
Montgomery	54.7	2,180	21.0	1,079
Prince George's	33.1	2,025	38.0	1,806
Queen Anne's	2.7	54	0.0	0
Somerset	0.2	120	0.0	0
St. Mary's	4.0	183	3.5	80
Washington	5.9	261	6.0	132
Wicomico	8.6	447	12.1	390
Worcester	2.5	100	0.0	0
Total	\$337.6	15,643	\$260.0	8,741

RHW: Rental Housing Works

Source: Department of Housing and Community Development

Emerging Developers Program

DHCD piloted an Emerging Developers Program in fiscal 2023 using \$3.0 million in special funds reallocated from DHCD’s closed Base Realignment and Closure program. The pilot program provided no-interest short-term loans of up to \$500,000 for predevelopment activities to newer affordable housing developers generally working in historically undercapitalized communities. DHCD awarded funding in April 2023 for nine projects, including eight in Baltimore City and one in Chestertown. The projects are supporting the creation of 440 units of rental housing and 58 units for homeownership. The CIP reflects increased special funds of \$3.0 million in fiscal 2025 and annually in the out-years to continue the program using repaid loan funds.

2. Increased Funding for Baltimore City

Out of the \$159 million increase in combined GO bonds and PAYGO general funds for DHCD programs compared to the planned amount for fiscal 2025, \$59 million is designated for projects in Baltimore City or the Baltimore region. In total, DHCD’s fiscal 2025 capital budget includes \$86 million directed to the Baltimore region: \$50 million for Project C.O.R.E. within the Strategic Demolition Fund; \$27 million for BRNI; and \$9 million for the Downtown Partnership of Baltimore. This represents a 110% increase over the \$41 million provided for these programs in fiscal 2024. The increased level of funding for BRNI and Project C.O.R.E. continues annually throughout the out-years of the CIP, while fiscal 2025 is the final year of planned funding for the Downtown Partnership.

Project C.O.R.E.

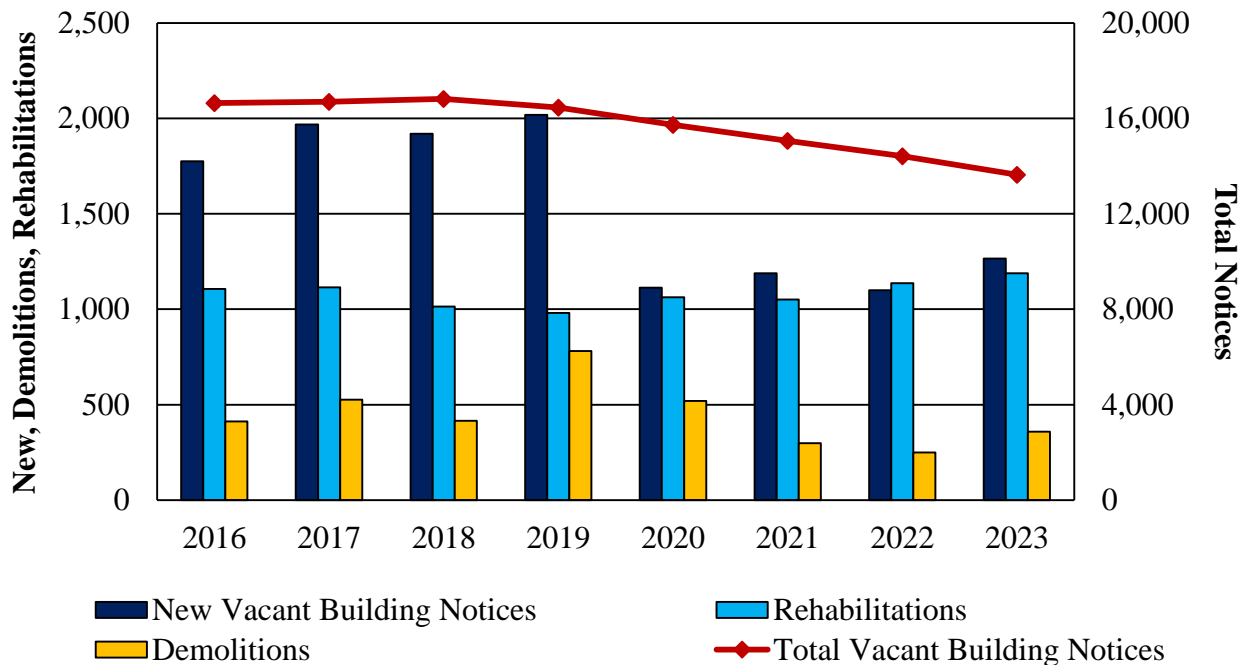
The Strategic Demolition Fund provides grants for demolition, land assembly, housing development or redevelopment, and revitalization projects. The program includes a statewide component as well as Project C.O.R.E., which funds blight removal and redevelopment in Baltimore City. The fiscal 2025 budget includes \$60 million in GO bonds for the Strategic Demolition Fund, including \$50 million for Project C.O.R.E. and \$10 million for the statewide program. Project C.O.R.E. received \$20 million in PAYGO general funds in fiscal 2024, and the statewide program received \$5 million. Last year’s CIP had planned for a total of \$20 million for the Strategic Demolition Fund in fiscal 2025 and the out-years, while the 2024 CIP plans \$60 million annually throughout the planning period. In total, the State has provided \$115.6 million to date for Project C.O.R.E. since the program’s inception in fiscal 2016, and the CIP would provide an additional \$250 million across fiscal 2025 to 2029. DHCD reports that Baltimore City has provided matching funds totaling \$54.6 million through fiscal 2023.

Baltimore City has recently renewed efforts to address vacant properties at scale, including announcing a strategic plan in partnership with Baltimoreans United in Leadership Development (BUILD) and the Greater Baltimore Committee in December 2023. The primary feature of the plan is a significant increase in proposed funding, totaling \$3.0 billion over 15 years, to tackle the problem at scale with a “whole blocks” approach rather than chipping away at the current pace. The proposed funding includes \$300 million in bonds to be repaid with future property taxes and

other economic activity generated by restored properties in addition to \$300 million raised from private and philanthropic sources. The plan also calls for \$900 million in State funding as well as generating \$1.5 billion from a new revenue stream such as a local share of State sales tax revenues. If continued at the same annual level as planned in the 2024 CIP, State funding would total \$750 million over 15 years.

Exhibit 8 shows the total vacant building notices over time in Baltimore City as well as the number of new vacant building notices, demolitions, and rehabilitated vacant buildings. Total vacant building notices have declined by 18% from calendar 2016 to 2023, driven in part by fewer new vacant building notices issued in recent years. More than 3,500 demolitions and 8,600 rehabilitations took place over this period. A September 2022 report from Johns Hopkins University estimated that Baltimore’s vacant properties cost the city over \$100 million in lost revenue in addition to \$100 million in direct spending annually.

Exhibit 8
Vacant Building Measures – Baltimore City
Calendar 2016-2023



Source: Baltimore City Department of Housing and Community Development

Baltimore Regional Neighborhood Initiative

BRNI provides grants to fund revitalization in Sustainable Community areas in Anne Arundel and Baltimore counties and Baltimore City. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation, and new infill development. Funding is mandated at \$12 million annually. The fiscal 2025 budget includes \$27 million in GO bonds, and the CIP plans \$27 million annually. **DLS recommends reducing GO bond funding for BRNI by \$15 million to the mandated level of \$12 million due to competing priorities for funding.**

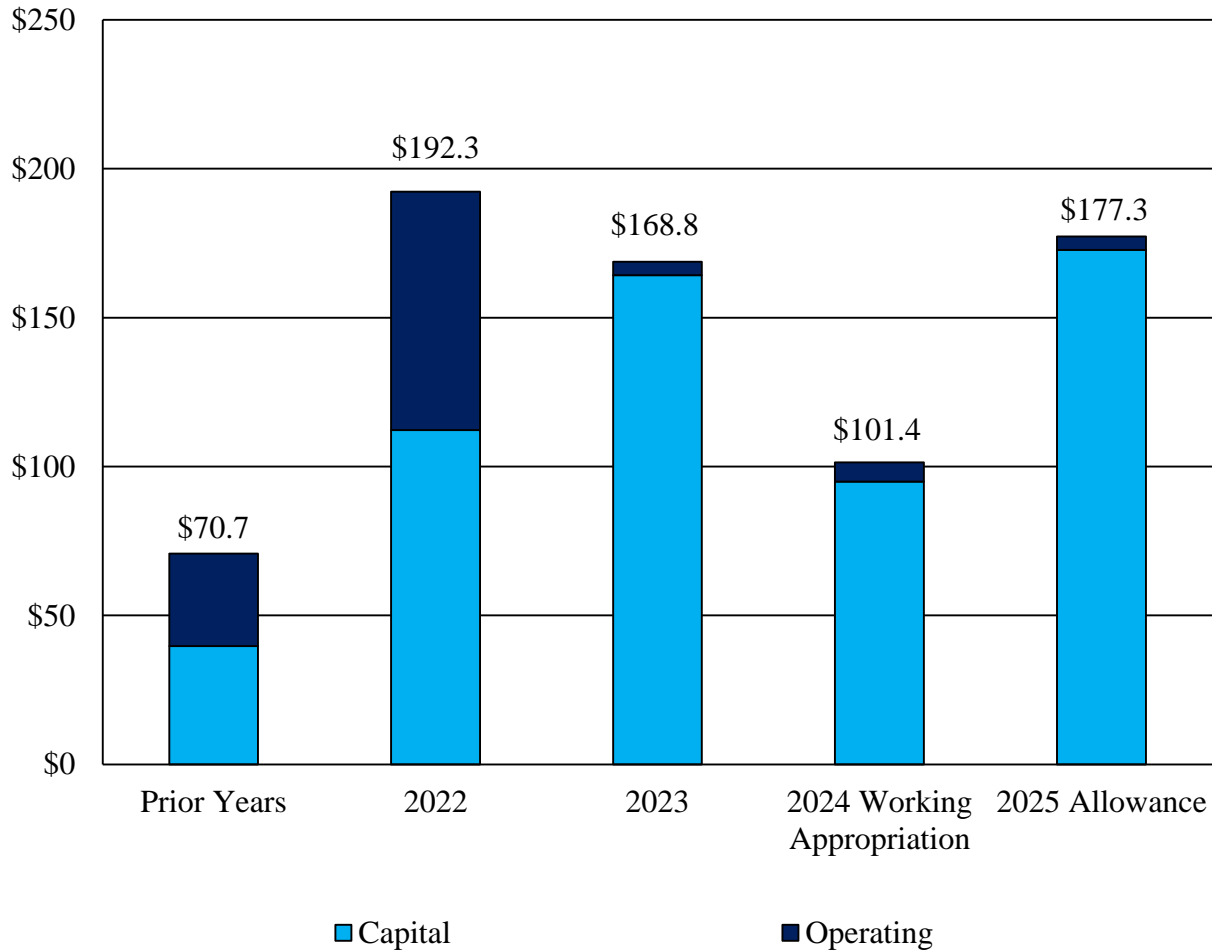
Downtown Partnership of Baltimore

DHCD's fiscal 2024 appropriation includes \$9.0 million in PAYGO general funds for the Downtown Partnership of Baltimore, including \$5.5 million added by the General Assembly. The fiscal 2025 budget level funds the project at \$9.0 million in PAYGO general funds. The funding will support the construction of a strategic operations center to monitor public safety issues as well as improvements such as constructing lighting, freshening up crosswalks, adding murals, and building public restrooms. DHCD reports that a grant agreement is expected to be executed by the end of February 2024. DHCD's operating budget also includes a \$3.0 million general fund operating grant for the Downtown Partnership in each of fiscal 2024 and 2025. Previously, the Downtown Partnership received \$10.0 million in GO bond funding in fiscal 2023 through the Department of General Services Miscellaneous Grant Program. The CIP does not plan any additional funding in the out-years.

3. Broadband

Chapter 74 of 2021 renamed the Office of Rural Broadband in DHCD to the Office of Statewide Broadband (OSB) and expanded its responsibilities to include the development of a statewide broadband plan, collecting and publishing data on broadband availability and speed, and furthering digital inclusion efforts. Funding for broadband programs has also increased dramatically through federal legislation, including approximately \$400 million that the State designated to be used for this purpose from the ARPA and nearly \$300 million anticipated from the IJA. **Exhibit 9** shows funding from all sources appropriated for broadband programs across DHCD's operating and capital budgets through the fiscal 2025 allowance, totaling more than \$710 million. Operating programs are discussed further in the operating budget analysis for S00A – DHCD. DHCD's capital budget includes Maryland's \$267.7 million award from the IJA Broadband, Equity, Access, and Deployment Program (BEAD) across fiscal 2024 (\$95 million) and fiscal 2025 (\$172.7 million).

Exhibit 9
Funding for Broadband Programs
Fiscal 2019-2025
(\$ in Millions)

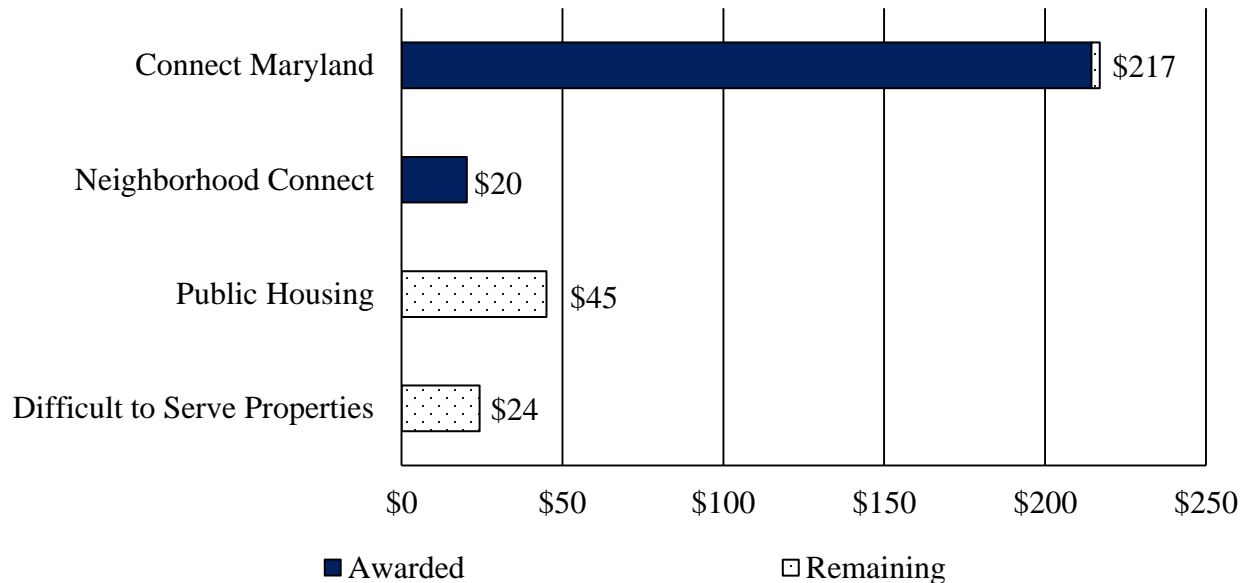


Note: Excludes general fund personnel costs.

Source: Governor’s Budget Books

Exhibit 10 shows the funding awarded or expended under each capital program using ARPA funding allocated across fiscal 2021 to 2023 as well as remaining allocated funds.

Exhibit 10
Broadband Programs Funded in the Capital Budget
Fiscal 2021-2023
(\$ in Millions)



Source: Department of Housing and Community Development

- Connect Maryland:** Provides grants for the construction of new networks to unserved areas of 500 to 1,500 households. DHCD has awarded nearly \$215 million to date and anticipates awarding the remaining approximately \$3 million to bring connectivity to Smith Island. DHCD received one application for the Smith Island project and expects to announce the award before the end of February 2024.
- Neighborhood Connect:** Provides grants for the extension of existing networks to unserved pockets of households. DHCD made awards totaling \$5.9 million in fiscal 2021 and \$14.4 million in fiscal 2022.
- Public Housing:** Grants of \$500,000 to \$9.0 million for local jurisdictions to expand service into public housing, including wiring, extension of service from the street to the building, and other needs to ensure access for residents. Grants will fund up to 95% of project costs. DHCD received seven applications, totaling \$22.0 million for the \$45.0 million in available funding. The department anticipates announcing awards in February 2024 and opening a second round of applications in late February 2024 that will also be open to affordable housing units owned by nonprofits in addition to publicly owned housing.

- ***Difficult to Serve Properties:*** Grants of up to \$1.1 million to local jurisdictions to provide service to properties that are difficult to reach due to remoteness, distance from existing broadband infrastructure, or other geographic issues. Grants will fund up to 75% of project costs. DHCD received 16 applications, totaling \$16.7 million for the \$22.4 million in available funding. The department anticipates announcing awards in February 2024 and opening a second round of applications in late February 2024.

Anticipated Infrastructure Investment and Jobs Act Funding and Planning Efforts

The IJA includes more than \$60 billion in funding nationally for broadband programs. The largest program is BEAD, which provides \$42.5 billion nationally for grants to states, allocated by a formula based on the proportion of unserved locations in each state as well as unserved locations in high-cost areas. In June 2023, NTIA announced that Maryland’s BEAD allocation will total \$267.7 million in addition to \$5.0 million that DHCD already received as a planning grant. Maryland is also expected to receive approximately \$4.8 million annually for five years under the State Digital Equity Capacity Grant Program to ensure access to affordable Internet service for disadvantaged and vulnerable communities. The fiscal 2025 allowance includes \$4.0 million for digital equity programs, and DHCD’s capital budget includes the entirety of Maryland’s BEAD award across fiscal 2024 and 2025.

In November 2023, OSB published its draft plans for both the BEAD and Digital Equity programs:

- ***BEAD:*** The BEAD draft plan outlines the stakeholder outreach that OSB undertook in developing the plan; the anticipated award process and scoring criteria; and how OSB will ensure compliance with labor requirements, support workforce readiness and minority business enterprise participation, and reduce costs and barriers to deployment. OSB estimates that the BEAD allocation will be sufficient to fund fiber to the premises for the vast majority of unserved locations in the State and, potentially, to most underserved locations. OSB anticipates spending 95% of its award on broadband infrastructure deployment, with remaining funding supporting administrative activities. OSB will only plan to reallocate funds for nondeployment activities such as workforce development, capacity building, and digital equity supplemental funding if funds remain after the competitive grant process for deployment activities is complete. OSB’s final proposal will be due to NTIA in December 2024 and will include anticipated provisional awards for projects. OSB anticipates making final awards in the first quarter of calendar 2025, and project construction is expected to be completed by the end of calendar 2028.
- ***Digital Equity:*** The draft Statewide Digital Equity Plan identifies Maryland’s barriers and assets to achieving digital equity and outlines a strategy for partner engagement and program implementation. Identified barriers include lack of broadband availability; the affordability of broadband services, devices, and technical support for low-income households; lack of digital skills among low-income households and aging individuals; and

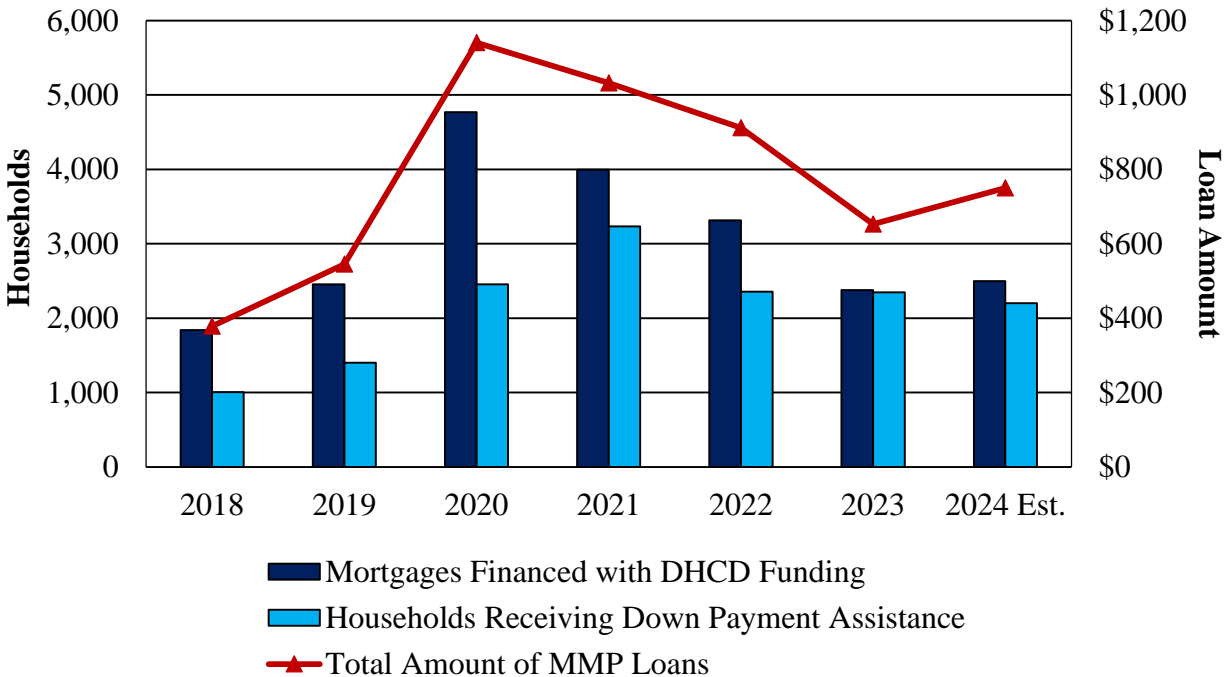
the need for resources and expertise among local communities. OSB plans to address these barriers using strategies including (1) requiring providers to provide a basic level of service; (2) strengthening the capabilities of community anchor institutions; (3) increasing participation in subsidy programs and expanding device access; (4) enabling skills development through training courses; and (5) expanding technical assistance to local and nonprofit entities. OSB notes that the sustainability of initiatives supported with IJA funding is a significant concern. OSB is expected to receive State capacity grant funding in the first half of calendar 2024; a competitive program for non-State applicants will open following the State awards, with \$1.3 billion available nationally.

Performance Measures and Outputs

Homeownership Programs

One of DHCD’s main objectives is to help low- and moderate-income residents purchase homes. The Maryland Mortgage Program (MMP) and the Down Payment and Settlement Expense Loan Program are essential components of DHCD’s homeownership efforts. **Exhibit 11** shows the increased level of activity in DHCD’s homeownership programs beginning in fiscal 2020 compared to prior years, although assistance has declined from fiscal 2020 to 2023. In fiscal 2023, DHCD provided down payment assistance to more than 2,300 households, and nearly all households that financed their mortgages through the MMP also received down payment assistance. The fiscal 2025 budget includes \$21.0 million for down payment assistance programs, consistent with the planned amount but down slightly from \$22.7 million in fiscal 2024 due to the \$1.0 million special fund proposed deficiency for Montgomery County homebuyers as well as \$700,000 in special funds provided in fiscal 2024 for other local partnership programs.

Exhibit 11
Homeownership Assistance
 Fiscal 2018-2024 Est.
 (\$ in Millions)



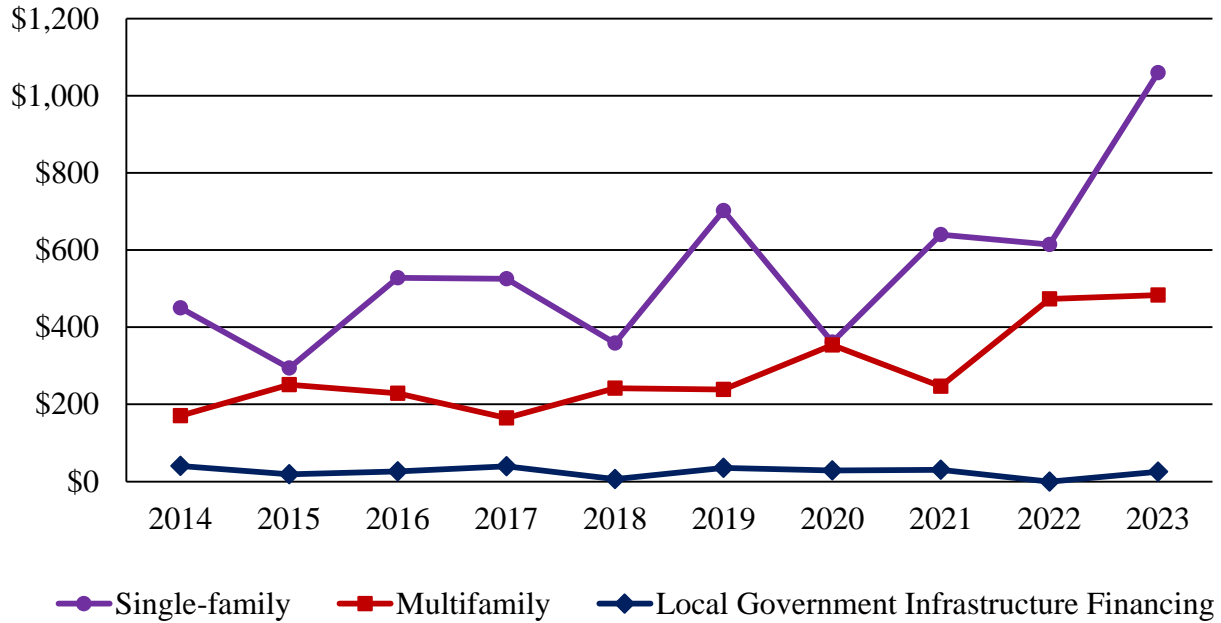
DHCD: Department of Housing and Community Development
 MMP: Maryland Mortgage Program

Source: Governor’s Fiscal 2025 Budget Books

Bond Issuances

In addition to DHCD’s array of budgeted programs, the department also includes the Community Development Administration (CDA), which issues nontax-supported debt with the goal of increasing the supply of affordable housing in the State. CDA generates its funding through the sale of tax-exempt revenue bonds, taxable bonds, and mortgage-backed securities. CDA issued a record high \$1.6 billion in single-family, multifamily, and local government infrastructure bonds in calendar 2023, driven by \$1.1 billion in single-family issuances, as shown in **Exhibit 12**. Single-family issuances are volatile due to their dependence on private capital markets and CDA’s ability to achieve competitive interest rates in order to pass them through to Maryland homebuyers. In November 2023, CDA issued a \$400 million bond, its largest ever, to finance single-family loans.

Exhibit 12
Community Development Administration Debt Issuances
Calendar 2014-2023
(\$ in Millions)



Source: Department of Housing and Community Development

Appendix 1 Grant and Loan Program Descriptions

- **Community Development Block Grant:** Competitive federally funded grants to local governments in nonentitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services. Nonentitlement areas are mainly rural areas of the State. Entitlement jurisdictions receive funding directly from the U.S. Department of Housing and Urban Development.
- **BRNI:** Grants to fund revitalization in State-designated Sustainable Community areas in Anne Arundel and Baltimore counties and Baltimore City. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation, and new infill development. Chapters 416 and 417 of 2021 made the mandated \$12.0 million in annual funding for the program permanent.
- **Business Façade Improvement Program:** Awards to counties and municipalities to provide grants to qualified businesses to improve the outside appearance of the businesses' buildings and facilities. Chapter 437 mandated \$5.0 million annually, beginning in fiscal 2025.
- **Community Legacy:** Awards to counties, municipalities, and community development organizations for the revitalization of neighborhoods in Sustainable Communities that are at risk of physical, economic, or social deterioration. Eligible uses include streetscape and façade improvements, recreational amenities, and improvement of community gathering places.
- **NED:** Awards to government agencies and nonprofit community development organizations for projects located between Interstate 495 and the District of Columbia. Chapter 494 increased the mandated capital funding from \$7.0 million to \$12.0 million. Operating funding for the program of \$200,000 annually is also mandated, per Chapter 707 of 2021.
- **Neighborhood Business Development Program:** Grants and loans of up to \$5.0 million for community-based economic development activities in revitalization areas designated by local governments; also offers loan guarantees and credit enhancements to banks and community development financial institutions.
- **Seed Community Development Anchor Institution Fund:** Grants and loans to anchor institutions, such as hospitals and institutions of higher education, for community development projects in blighted areas.

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- ***Strategic Demolition Fund:*** Assists in demolition, land assembly, housing development or redevelopment, and revitalization projects. The program includes a statewide component as well as Project C.O.R.E., which funds blight removal and redevelopment in Baltimore City.
- ***Downtown Partnership of Baltimore:*** Grant to the Downtown Partnership of Baltimore to support the construction of a strategic operations center to monitor public safety issues as well as improvements such as constructing lighting, freshening up crosswalks, adding murals, and building public restrooms.
- ***Appraisal Gap Program:*** Provides financial assistance to affordable housing developers working in low-income census tracts and sustainable communities to help close appraisal gaps, which are defined as the difference between a project’s total eligible development costs and the price that it can be sold for in the market.
- ***Homeownership Programs:*** Down payment and closing cost assistance to low- and moderate-income families. Programs include the Down Payment and Settlement Expense Loan Program, the Smart Buy program to assist homebuyers with student loan debt, and the HomeAbility program to assist households with disabled persons. Funding also supports an ongoing MOU with Montgomery County to provide down payment assistance.
- ***Housing and Building Energy Programs:*** Loans and grants for energy efficiency improvements for single-family and rental housing properties, including renovation of existing facilities, construction of new facilities, or installation of energy-efficient equipment or materials. Programs include the BeSMART program, a revolving loan fund originally funded through a federal Energy Efficiency Conservation Block Grant, and the Multifamily Energy Efficiency and Housing Affordability program, funded with special funds from PSC through the EmPOWER program.
- ***Rental Housing Programs:*** Low-interest or deferred-payment loans to housing developers for the financing of affordable housing developments. Funding is typically paired with financing through LIHTCs and/or DHCD’s Multifamily Bond Program. Rental Housing Programs also include federal funds from the HOME Investment Partnerships Program (programmed at \$5.0 million annually) and the Housing Trust Fund (programmed at \$4.0 million annually).
- ***Partnership Rental Housing Program:*** Deferred payment loans or grants to local governments or housing authorities to construct or rehabilitate rental housing for residents earning less than 50% of the statewide median income. Demand for the program is driven by the federal Rental Assistance Demonstration program, which allows for the conversion of public housing to long-term Section 8 rental assistance projects.
- ***Shelter and Transitional Housing Facilities Grant Program:*** Grants to local governments and nonprofit groups to develop emergency shelters and transitional housing

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for homeless individuals and families. The program receives mandated funding of \$3.0 million annually.

- ***Special Loan Programs:*** Loans or grants for the abatement of lead hazards; rehabilitation to eliminate health, safety, and maintenance deficiencies in residential properties; and acquisition, construction, and modifications of group homes for low-income, elderly, disabled, or others with special housing needs.
- ***Statewide Broadband:*** Supports the construction of broadband infrastructure to expand internet access to unserved areas through grants with matching requirements to local jurisdictions or internet service providers.