

SENATE OPERATING BUDGET HEARING

Friday February 15, 2019

HOUSE OPERATING BUDGET HEARING

Monday February 18, 2019

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Presentation by the

Maryland Department of Housing and Community Development
Secretary Kenneth C. Holt



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Governor

BOYD K. RUTHERFORD
Lt. Governor

KENNETH C. HOLT
Secretary

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Deputy Secretary

FY 2020 DHCD Operating Budget Response

DHCD RESPONSES TO QUESTIONS.....Pages 1-5

PROGRAM MAPS by jurisdiction

**Strategic Demolition and Smart Growth Impact Fund & Project CORE
Neighborhood Business Works
Helping with Homelessness Programs
Community Services Block Program
Community Legacy
Community Investment Tax Credit Program & Endow Maryland
Community Development Block Grant
Housing & Building Energy Programs
CDA Maryland Mortgage Program
Rental Housing Works
Multifamily Projects
Baltimore Regional Neighborhoods Initiative**

DHCD Highlights

DHCD works in partnership with private entities to finance and support affordable and energy-efficient homeownership, rental housing, small businesses, neighborhood revitalization and municipal infrastructure projects that change Maryland for the better.

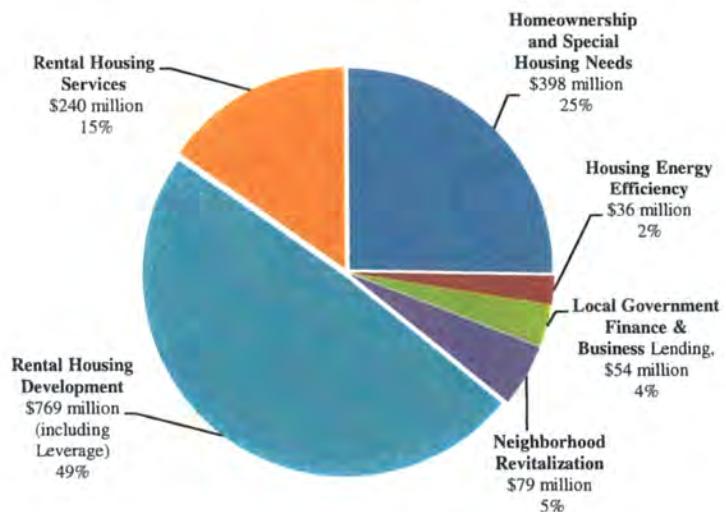
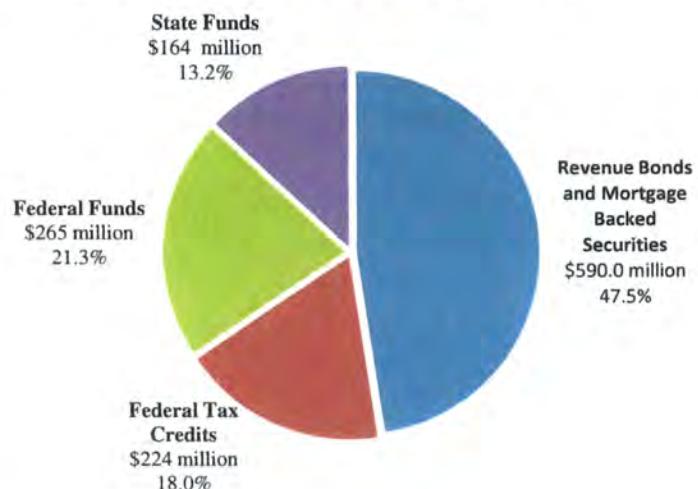
DHCD remains distinctive in its capability to leverage limited State funds to raise significant amounts of private capital -- spurring economic growth, creating jobs, providing safe affordable rental housing and sustainable homeownership while also revitalizing communities.

State funds on average have remained in the 10% percent range of DHCD's total loan and grant program activity for the past five years, enabling DHCD to generate a total of \$6.5 billion worth of housing, small business, local government infrastructure and revitalization financing using only \$684 million of State funds. FY 2018 fund sources and allocations are shown on the chart to the right. Those funds sources allowed DHCD to produce over \$1.3 billion of FY 2018 program activity.

DHCD's programs consistently generate significant total economic impact for Maryland using limited State funding. In FY 2018, every dollar of State funding generated \$18 of economic impact in Maryland - \$3.0 billion in total, supporting close to 13,000 jobs and generating approximately \$50 million in State and local tax revenues.

FY 2018 DHCD program activity continued to be strong, particularly in multifamily and single family housing. In FY 2018, DHCD financed over 3,500 affordable rental housing units; homeownership and special needs housing programs provided close to 6,500 loans to Marylanders and provided 10,134 homeless youth and adults with transitional housing. The bulk of DHCD's FY 2018 activity was funded through revenue bonds and mortgage-backed securities – DHCD helped facilitate strong growth in small business lending, energy efficiency improvement programs and local government infrastructure statewide. In FY 2018, more than 4,000 loans/grants were awarded towards energy efficiency-related projects while funding 24 small businesses and local government projects.

Lastly, in Baltimore City, the States \$75 million for C.O.R.E.'s four-year allocation has been directly matched by \$302.23 million by the City and private partners. Recent economic impact study



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revealed the lasting impact this project will have on the city.

DHCD's revenue bond and mortgage-backed security issuances and portfolios are self-supporting, without any debt service costs to the State or operating cost burden to taxpayers. The capital raised by DHCD through its revenue bond and mortgage-backed securities issuances amounts to half of the total capital raised by the State of Maryland through its General Obligation Bond issuances during the same period, with no debt services costs to the State or reliance on the good faith and credit of the State.

DHCD continues to manage a \$3 billion portfolio of Community Development Administration assets and liabilities, including single family and multifamily mortgage revenue bonds with underlying mortgage-backed securities, mortgage loans and investments. DHCD has a fiduciary responsibility to private market investors to carry out ongoing transactional servicing and portfolio management of these asset and debt securities, provide U.S. Securities and Exchange Commission-mandated disclosures and ensure federal tax law compliance for up to 30-40 years. DHCD also manages over **\$1 billion portfolio of State and federally-funded loans.**

DHCD has achieved these FY 2018 results and carried out the ongoing portfolio management with the capacity of 331 full time positions (PINs). DHCD's administrative expense ratio (administrative operating expenses as a percentage of loan and grant program activity) continues to be very low, with very little General Funds used to support existing personnel or other operating costs.

1. DLS Question (page 16 of the analysis)

*In an effort to streamline the department's efforts and to ease the application process for grantees, DHCD has merged Emergency Solutions Grants, the Rental Allowance Program, Emergency and Transitional Housing and Services (capital), Housing Navigator, Service-linked Housing, and Homeless Women – Crisis Shelter Home programs into the Homelessness Solutions Program (HSP). Continuums of Care (COC), the local organizations through which DHCD provides homelessness services, now must only fill out one application for State funding. However, several individual programs are defined in statute and are therefore budgeted separately. **DHCD should comment on potential legislation to codify existing practice.***

DHCD Response

DHCD believes the consolidation and streamlining of homelessness programs into one annual funding round has achieved greater efficiency for both the State and for local applicants, and homelessness service providers, and Department is gratified by the overwhelmingly positive feedback from local partners.

To implement the consolidation, DHCD streamlined regulations in early 2018 based on national best practices, and launched the first HSP funding round in the spring of last year. HSP was implemented in close communication with local partners, and the Department continues to solicit local feedback -- through quarterly trainings and ongoing communication with COC members – so that DHCD may continue to learn and improve program operation.

2. DLS Question (page 16 of the analysis)

*In addition to altering funding, the department has also changed its requirements for grantees to conform to evidence-based national best practices. The overall goal of HSP is to pursue a “housing first” strategy, which was originally adopted by HUD and the U.S. Department of Veterans Affairs as part of their homelessness programs. The approach aims to quickly connect individuals and families experiencing homelessness to permanent housing without barriers to entry. In keeping with this strategy, DHCD now requires that HSP grantees not require sobriety, participation in drug treatment or support groups, referrals from another organization or provider, identification, or payment. This has resulted in a shift in funding, as some homelessness service providers lose State funding while others see an increase or new grantees get State funding. The grants provided by DHCD through HSP are a mixture of formula and competitive awards, and the new application highly prioritizes moving individuals out of homelessness and into permanent housing as quickly as possible and providing emergency shelter, which account for 45 points out of the possible 85 points a COC can earn when applying for an HSP grant. **DHCD should comment on the impact of the shift to a housing first strategy, including the impact on the geographic distribution of funding in the State.***

DHCD Response

The impact of the national shift to a “housing first” focus, has not resulted in significant geographic change with respect to the relative distribution of state HSP funding levels awarded to each jurisdiction. However, the shift did affect funding levels to certain providers within jurisdictions as explained further below.

Maryland’s sixteen COC networks receive approximately \$50 million annually in direct funding from the U.S. Department of Housing and Urban Development (HUD) which is basing its funding levels on national best practices including “housing first” and “low-barrier” emergency shelter. Starting in 2015, HUD began to aggressively base its competitive COC funding on the extent to which each COC was implementing housing first, devoting most funding to evidence-based best practices such as “rapid rehousing” and “permanent supportive housing.” HUD’s policy and funding shift has required that COCs shift away from “emergency shelter” and “transitional housing” interventions. Therefore, COCs rely even more heavily on state HSP funding and federal ESG funding to operate short-term and emergency shelters across Maryland.

COCs in Maryland and throughout the nation have had to significantly shift their program models to better align with HUD funding priorities or risk losing substantial funding. DHCD staff has provided significant technical assistance and training to CoCs and service providers to help them align with federal priorities and maximize overall HUD funding for Maryland.

In particular, longer-term transitional housing is now significantly less competitive for HUD COC funding than shorter term rental assistance (rapid rehousing) or permanent supportive housing. These longer-term transitional programs are often focusing on clients who are struggling with addictions and other deep-seated challenges. The Department is coordinating with other state agencies, such as MDH, to identify additional funding sources for these organizations.

In addition, DHCD via its Shelter and Transitional Housing Program is organizing a pilot program focused on housing for people in recovery from opioid addiction, and an additional \$1 million has been allocated in the Governor’s capital allowance for this purpose. Relatedly, last October, the U.S. Congress passed new legislation to address the national opioid crisis; and, it is expected that new funding for recovery-related housing will be allocated to the states by HUD via the Community Development Block Grant program (CDBG). We will work with transitional housing providers to fund effective approaches to recovery-related housing.

3. DLS Question (page 17 of the analysis)

Chapter 748 of 2018, or the Ending Youth Homelessness Act, established the Ending Youth Homelessness Grant Program within DHCD in order to prevent and end youth homelessness in the State and address disparities based on race, ethnicity, sexual orientation, and gender identity. The law also establishes an Ending Youth Homelessness Grant Fund but does not mandate a funding amount or a funding source. While the fiscal 2020 allowance does include an increase of just under \$1 million in general funds, the

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budget does not specify any amount of funding for the implementation of Chapter 748. DHCD should comment on its plans for implementation of the Ending Youth Homelessness Act.

DHCD Response

Helping Maryland's unaccompanied youth and young adults find affordable and sustainable housing is a high priority for the Department, and, as noted, the Governor included \$1 million in new General Funds in DHCD's FY 2020 operating budget to provide rental assistance and case management services specifically for this population.

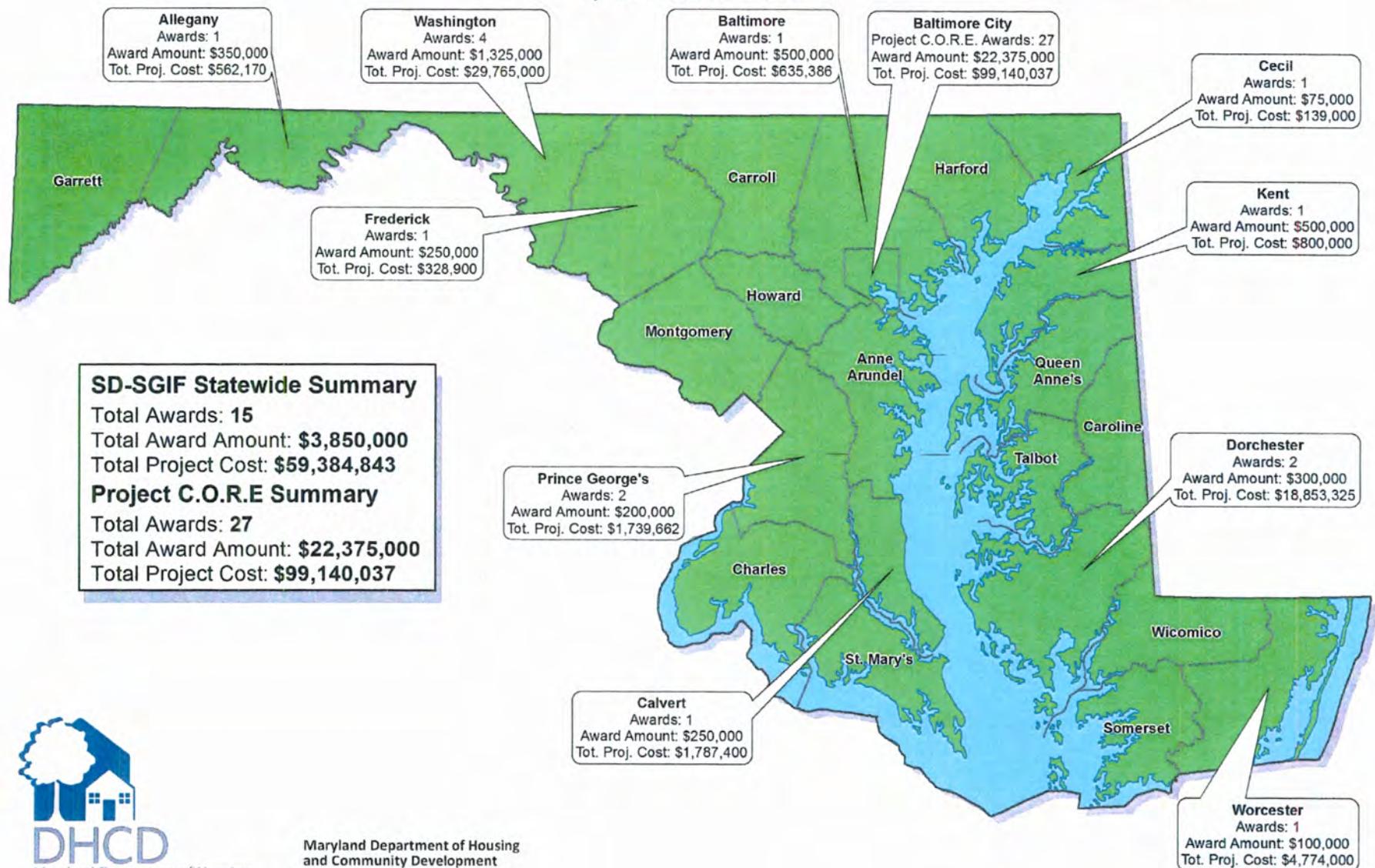
The Governor's new funding allocation significantly expands DHCD's ability to support innovative services to homeless youth. In the last year, DHCD has directed significant capital and operating resources to programs addressing youth homelessness, including:

- Youth Empowered Society (YES) drop-in center in Baltimore City
- St. Ambrose Housing Aid Center's new Host Homes program and group home program in Baltimore City
- Restoration Gardens permanent supportive housing in Baltimore City
- Student Homelessness Initiative Partnership (SHIP) in Frederick County
- Youth Reach census of Maryland's homeless youth conducted every other year by the University of Maryland School of Social Work (UMD SSW) in partnership with local COCs

In addition, DHCD is working with the UMD SSW and local partners to organize a Youth Symposium in 2019 which will provide a new learning and information sharing venue for homeless youth and service providers to learn local and national best practices and to build capacity for this important work.

Based on the Department's success with streamlining the homelessness programs, and the commitment to address youth homelessness, DHCD plans to use the existing HSP program structure and regulations to fund those services.

Strategic Demolition and Smart Growth Impact Fund (SD-SGIF) & Project C.O.R.E by Jurisdiction: 2018

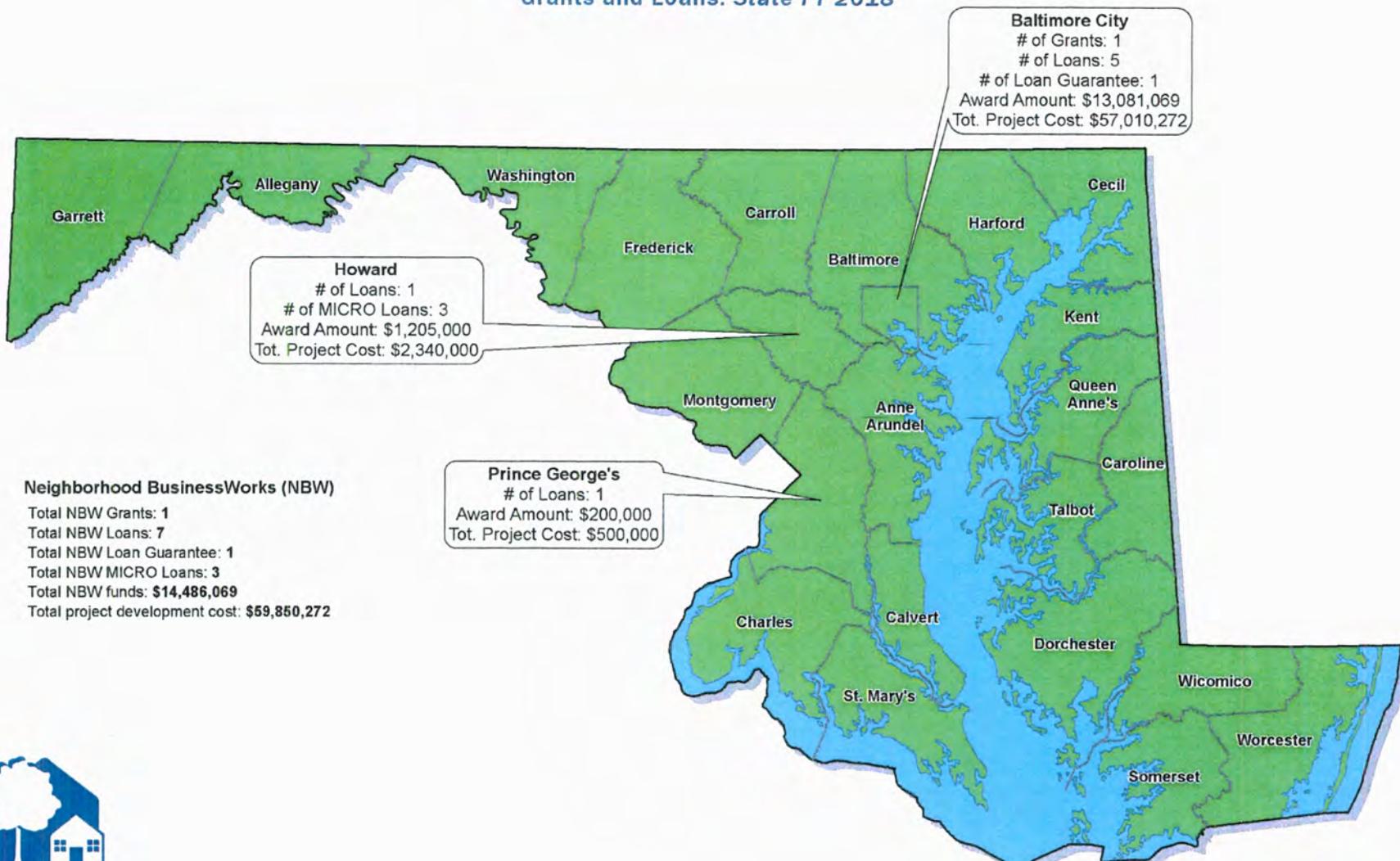


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Neighborhood BusinessWorks Grants and Loans: State FY 2018

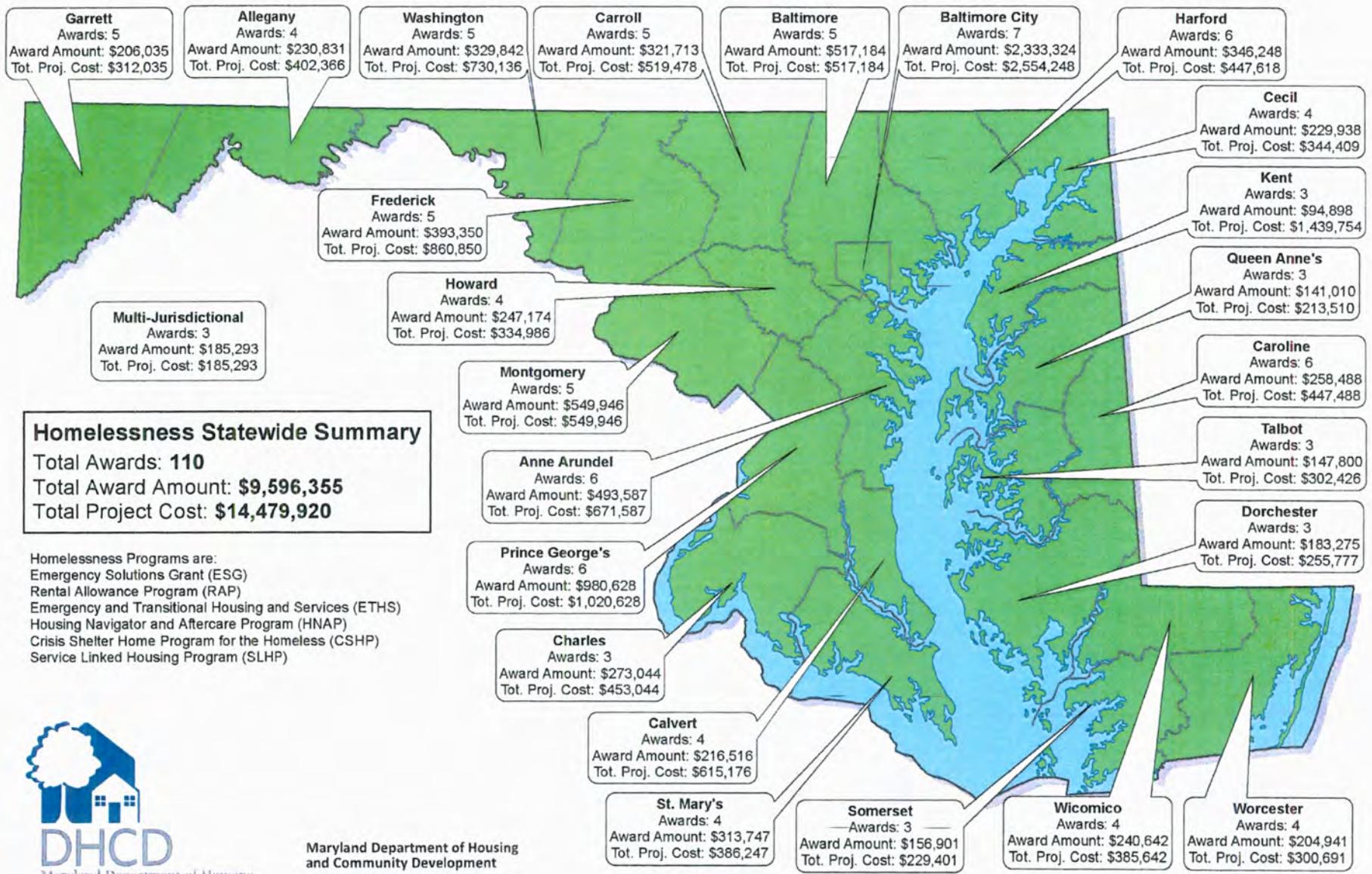


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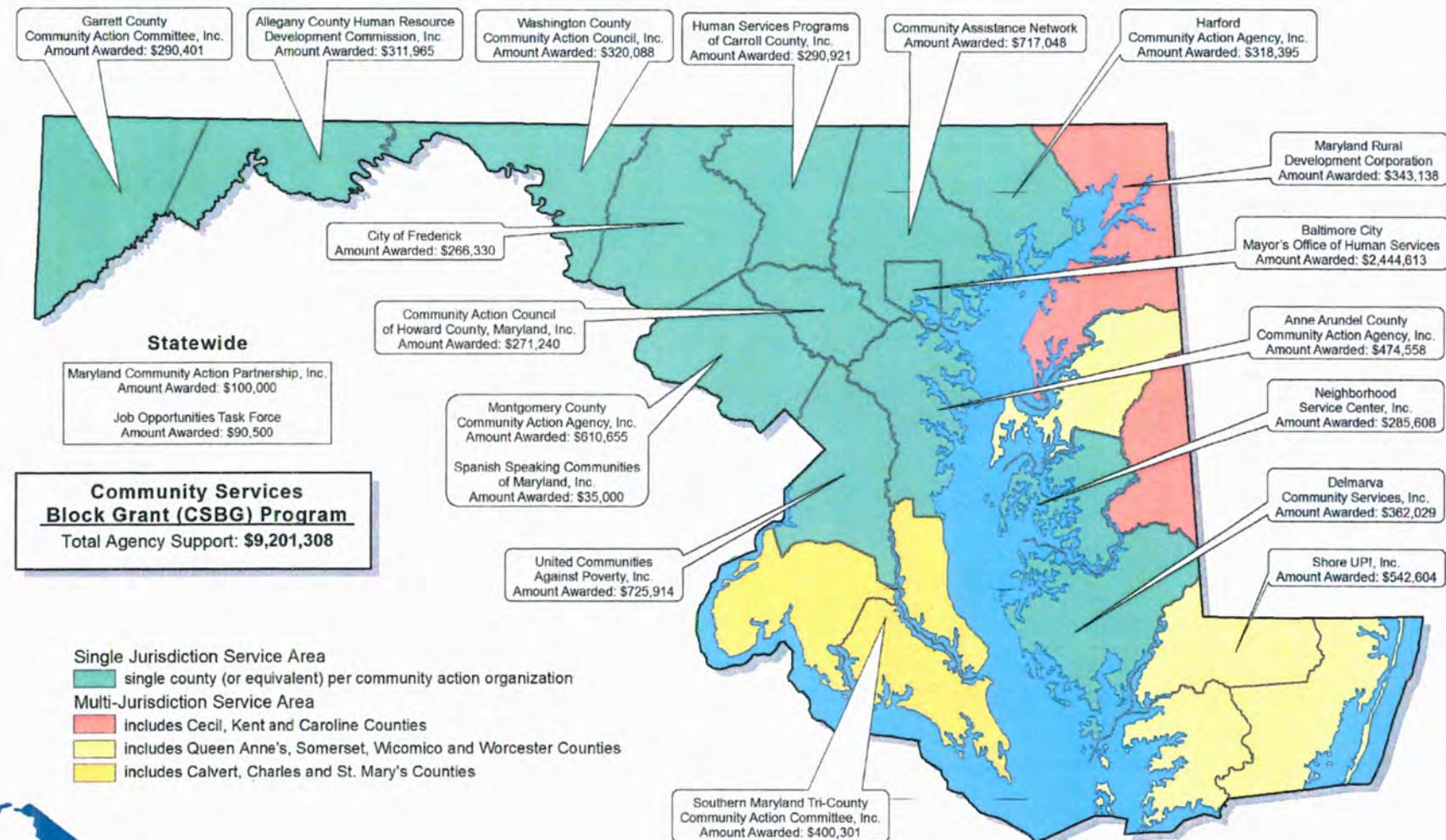
Helping with Homelessness Programs by Jurisdiction: 2018



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Community Services Block Grant Program: Awards By Community Action Organization Federal FY 2018



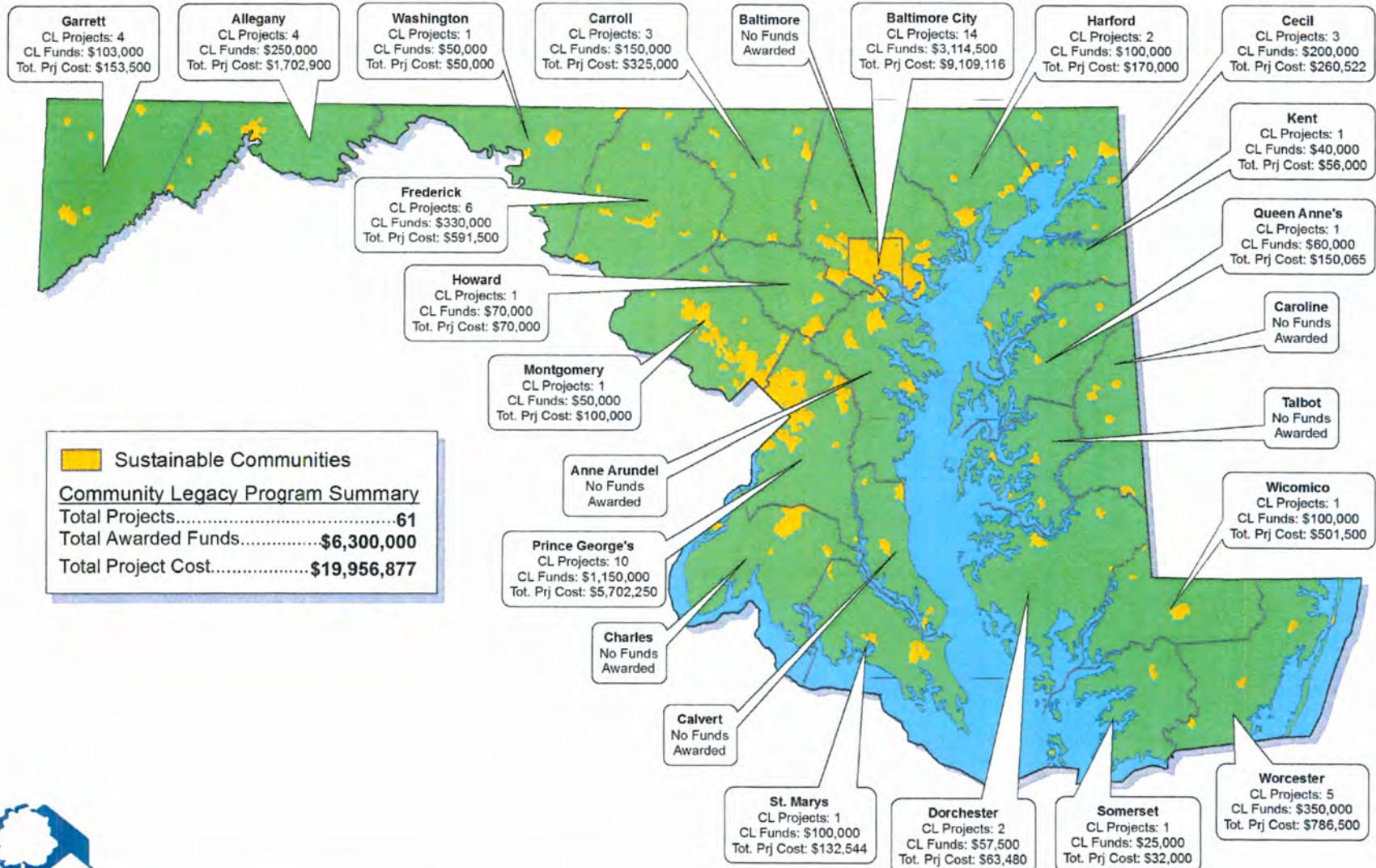
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Community Legacy Program

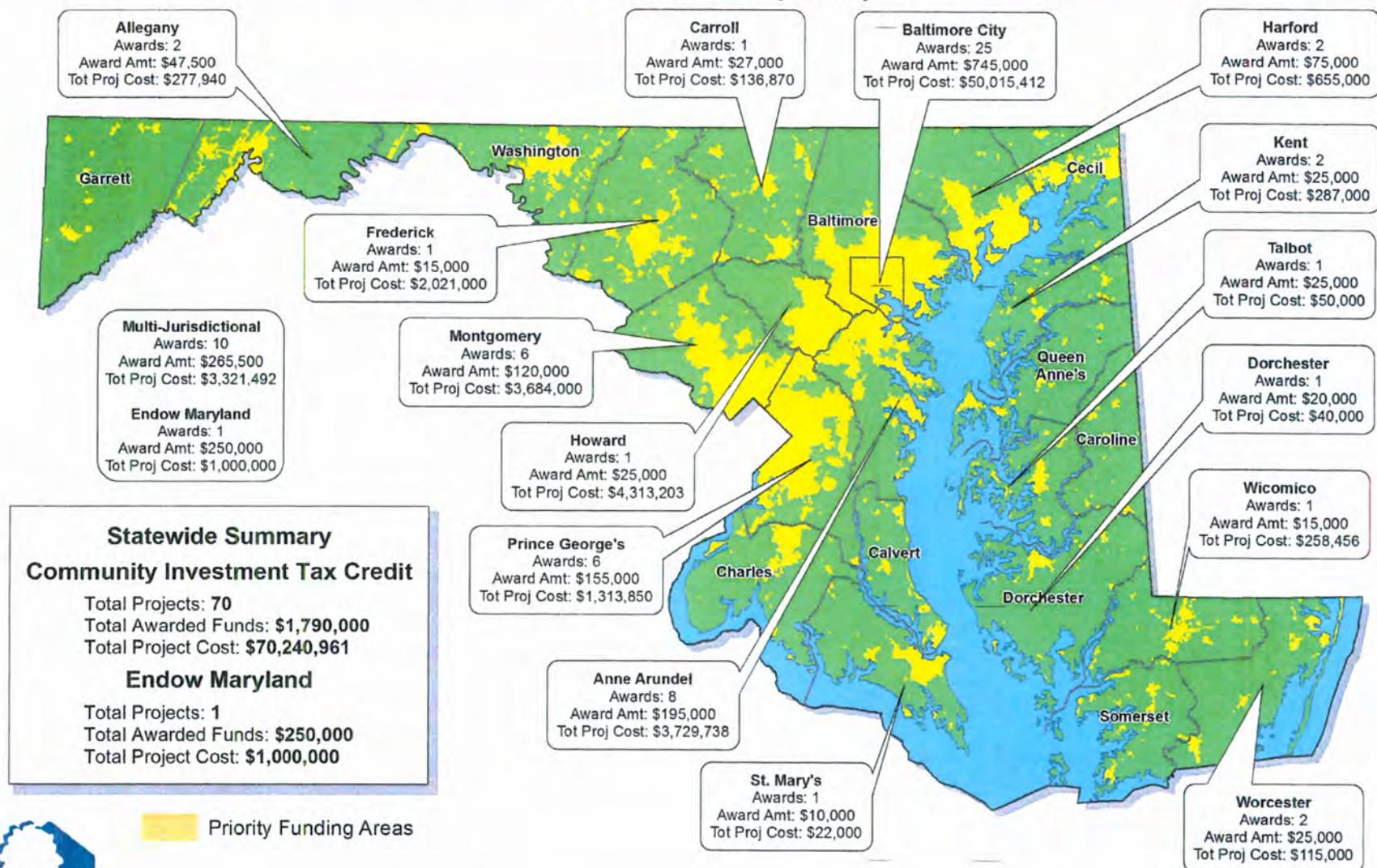
Community Legacy (CL) Awards by County

FY 2018

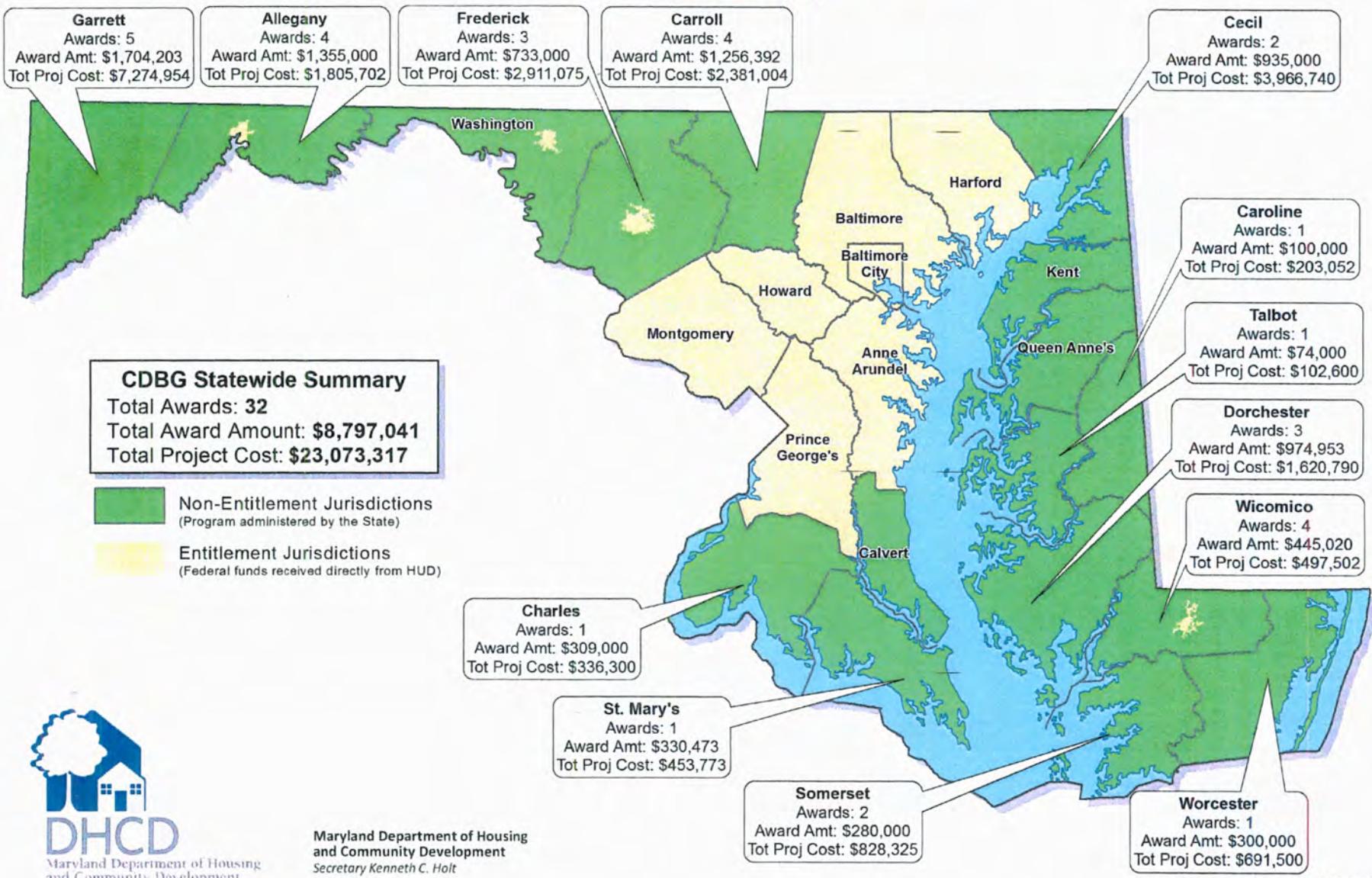


Community Investment Tax Credit Program & Endow Maryland

FY 2018: Awards by County



Community Development Block Grant by Jurisdiction: FY 2018



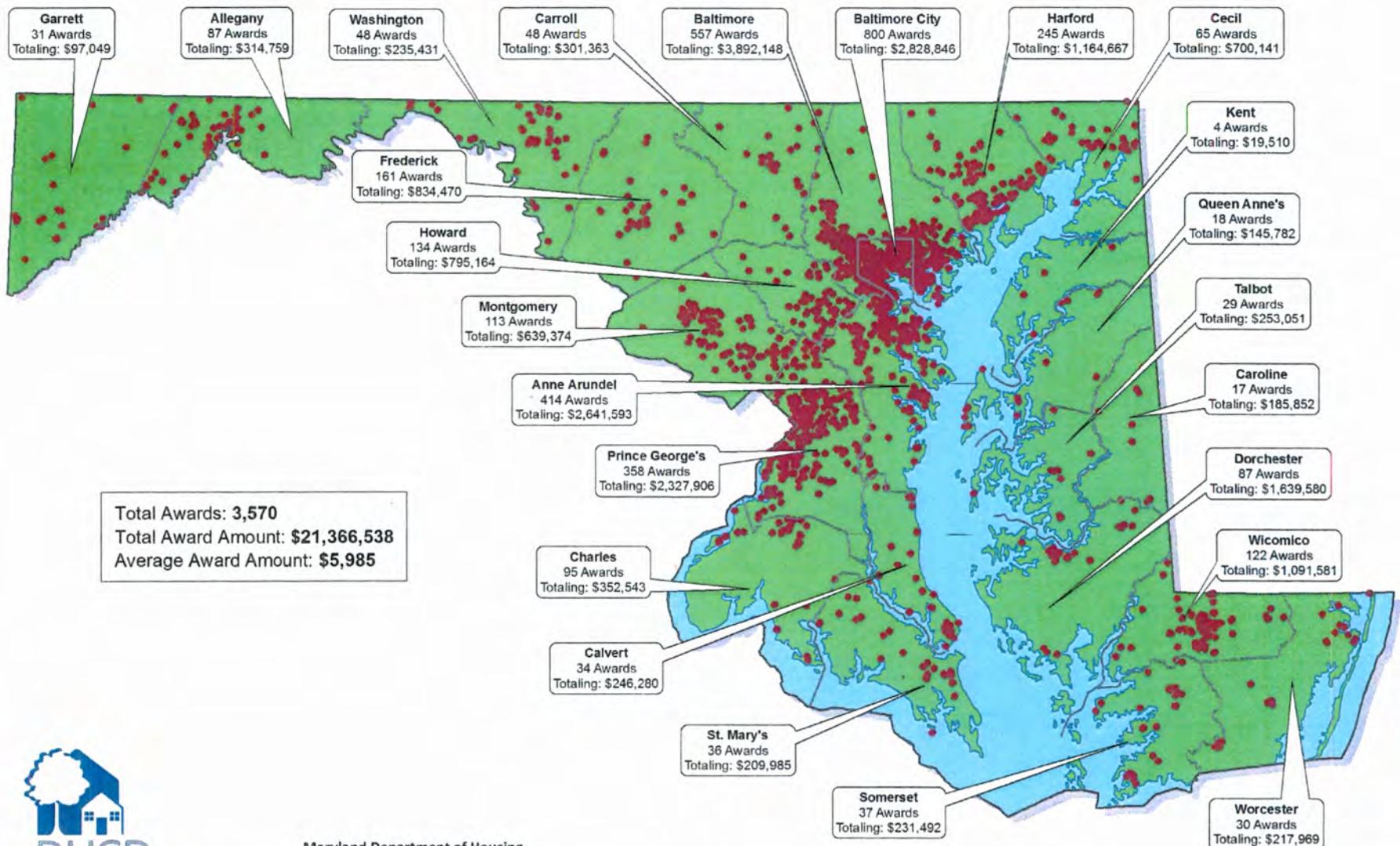
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Housing & Building Energy Programs

Single Family Weatherization and Energy Efficiency Programs

Awards by Jurisdiction: FY 2018

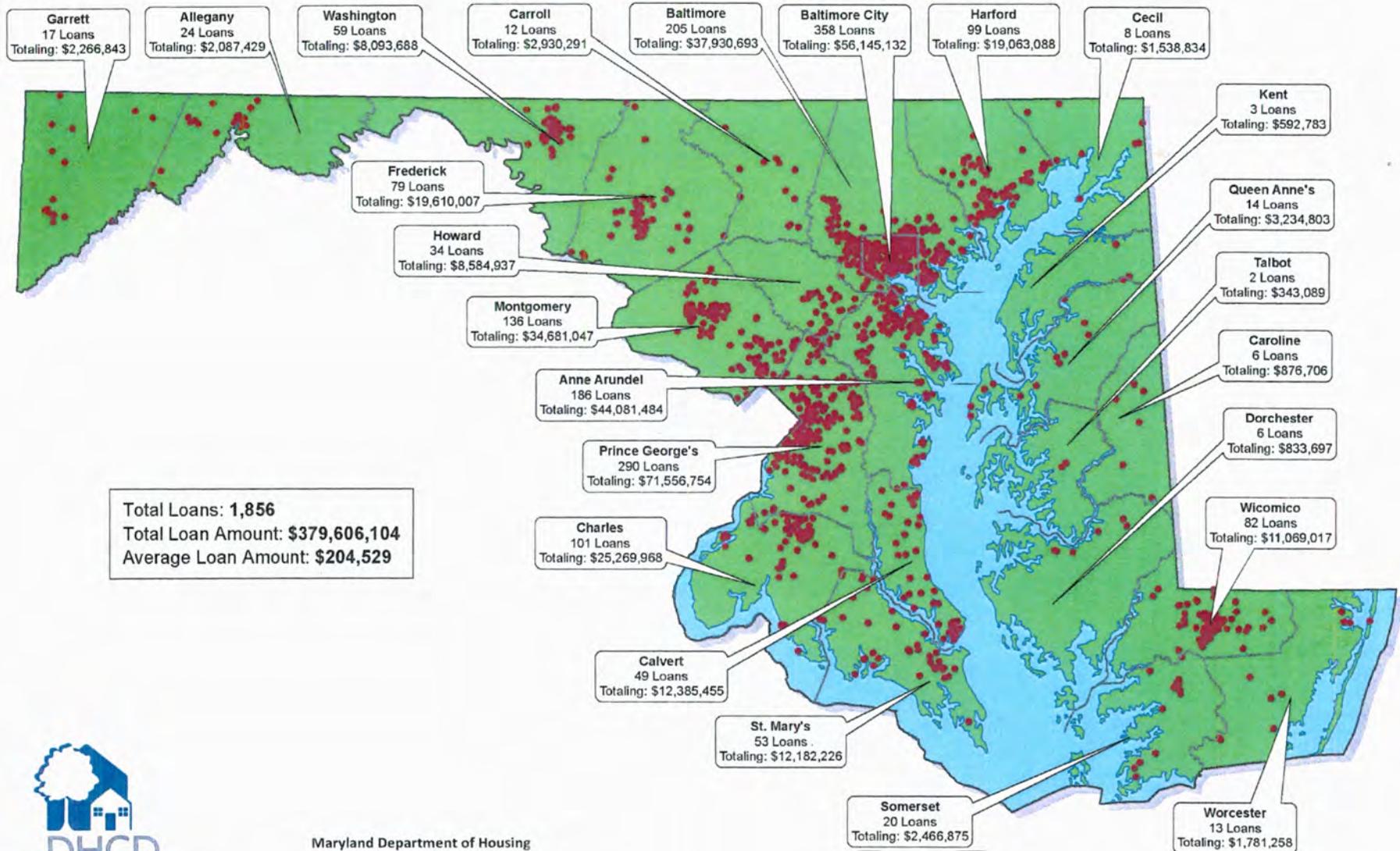


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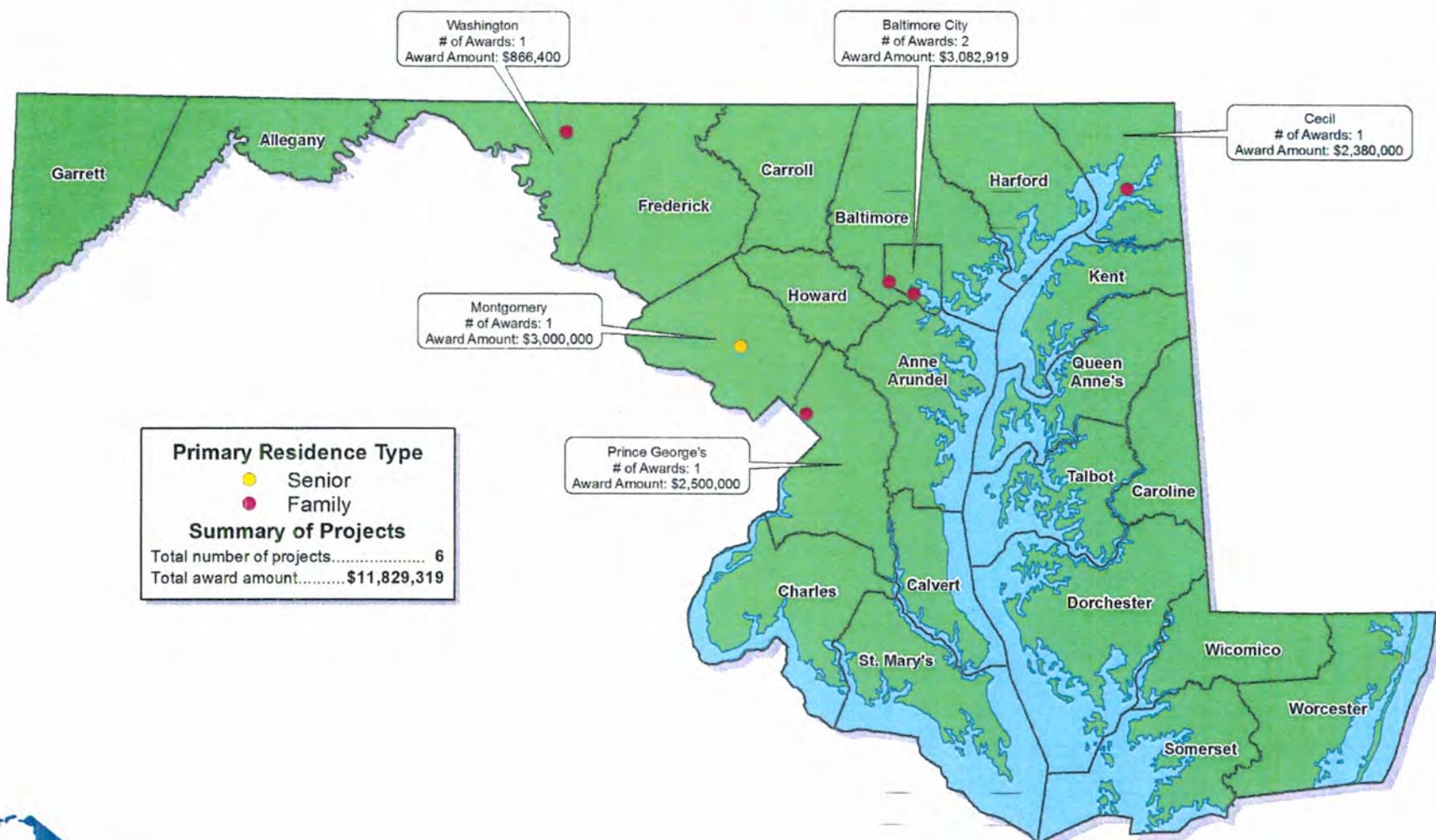
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CDA Maryland Mortgage Program

Loans purchased by Jurisdiction: FY 2018



Community Development Administration: Rental Housing Works (RHW) by County: FY 2018

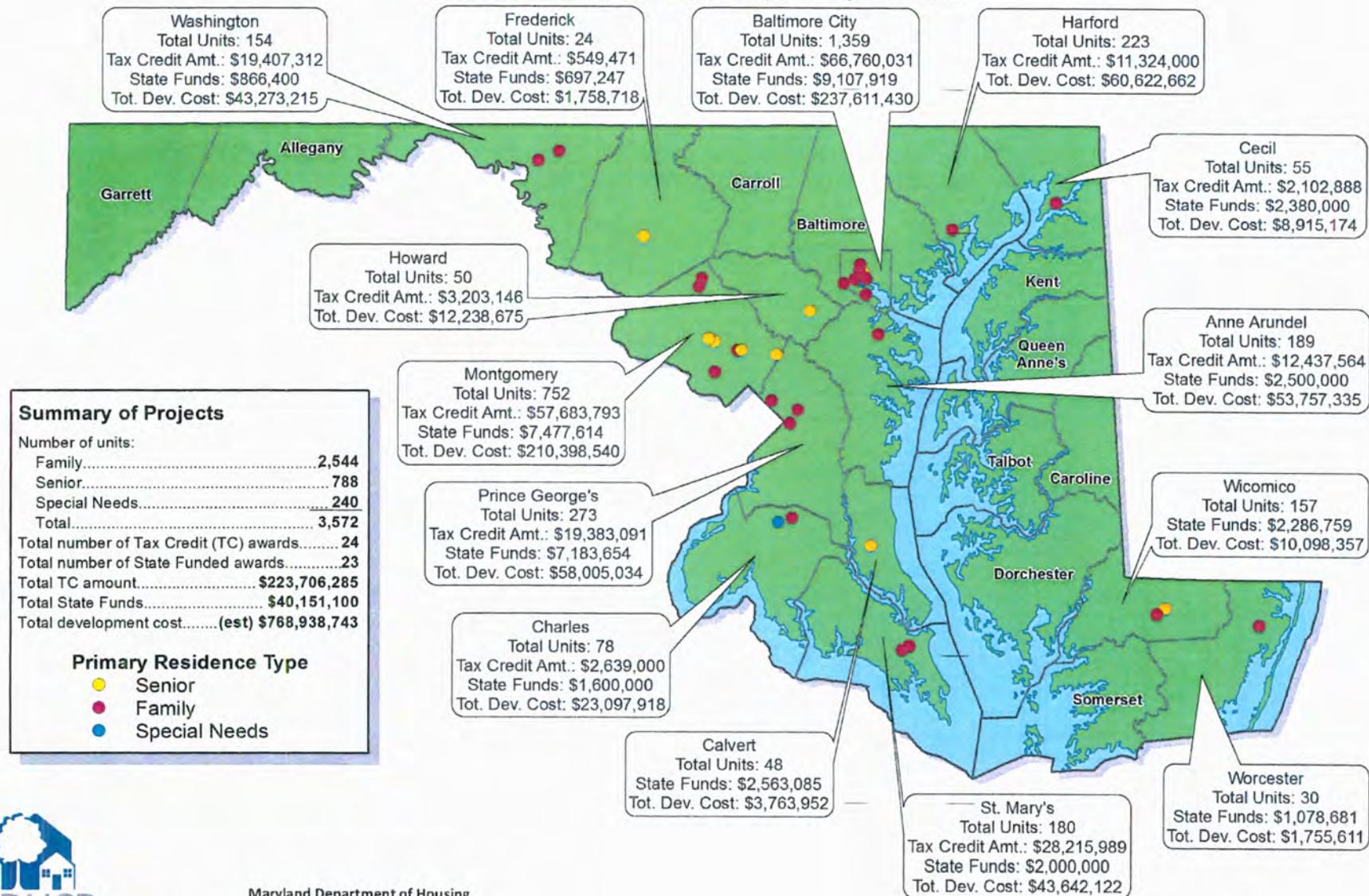


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Community Development Administration: Multifamily Projects

Reserved and Closed Projects by County: FY 2018



Baltimore Regional Neighborhoods Initiative (BRNI) FY 2018 Awards

