

*Governor's Commission on Housing Policy  
Final Report 2004*

**Innovative Housing and Community  
Revitalization in Maryland:  
Solutions for a Positive Change**





## Message from Governor Robert L. Ehrlich, Jr.

I wish to commend the Governor's Commission on Housing Policy for its exceptional work. As a result of your leadership and dedication in addressing the difficult issues of affordable housing and community revitalization, the lives of many Marylanders will be positively impacted.

The Ehrlich-Steele Administration is committed to meeting the need for affordable housing and investment in our older communities around the State. Already, in the first 24 months of my Administration, initiatives such as the *More House 4 Less* campaign, a low-interest rate homeownership program, and *Catalyst*, a technical assistance academy for community-based organizations and local governments, have posted impressive results.

The eight recommendations of the Commission contained in this report represent practical, innovative solutions, some of which can be implemented over the next 12 to 18 months. The process undertaken by the Commission in reaching these eight recommendations and the involvement of the public throughout this rigorous process will help to ensure that this Commission will have a continuing legacy for years to come.

In addition to the eight recommendations, I applaud your efforts to project and quantify the workforce/affordable housing need in Maryland. We all recognize that there is an ongoing critical need for the availability of a variety of housing for all incomes in Maryland and around the nation. Addressing this need over the next ten years through a quantitative process will allow resources to be strategically targeted to meet the needs of families, seniors and individuals with disabilities.

Finally, I want to recognize the enormous effort on the part of the Commission to include members of the public and hear all voices and opinions. The tremendous leadership of Commission Chairman Victor L. Hoskins, Secretary of the Maryland Department of Housing and Community Development, helped ensure a healthy discourse throughout the work of the Commission.

I congratulate the collaboration of the members of the Commission and the hundreds of organizations and individuals who participated in the work of the Commission over the past 15 months. I am confident that, together, we will make a difference in the lives of all Marylanders.

Thank you for your tireless and constant commitment to Maryland, its people and its communities!

Sincerely,

A handwritten signature in black ink that reads "Robert L. Ehrlich, Jr." The signature is fluid and cursive, with the first name being the most prominent.

Robert L. Ehrlich, Jr.  
Governor, State of Maryland

## Innovative Housing and Community Revitalization in Maryland: Solutions for a Positive Change



### The Final Report of the Governor's Commission on Housing Policy

Submitted to:

**Robert L. Ehrlich, Jr.**  
Governor of Maryland

**Michael S. Steele**  
Lieutenant Governor of Maryland

Pursuant to Executive Order 01.01.2003.10

December 31, 2004

## Governor's Commission on Housing Policy

### **Chairman**

**Victor L. Hoskins**  
Secretary, Maryland  
Department of Housing and  
Community Development

### **Commissioners**

**Senator Sharon Grosfeld**  
Maryland Senate,  
Montgomery County,  
Health & Environmental  
Affairs Committee

**Delegate Doyle Niemann**  
Maryland House  
of Delegates,  
Prince George's County,  
House Appropriations  
Committee

**David Baca**  
Branch Manager,  
SunTrust Bank,  
SunTrust Affordable  
Housing Program

**Alfred W. Barry, III**  
Principal, AB Associates  
President, Citizens Planning  
& Housing Association

**Don Bibb**  
Executive Director, Easton  
Housing Authority  
CEO, Easton Redevelopment  
Corporation

**Thomas Bozzuto,**  
President & CEO, The  
Bozzuto Group  
Commissioner, Millennial  
Housing Commission

**Brian Cox**  
Executive Director,  
Maryland Developmental  
Disabilities Council

**Richard Edson**  
Senior Vice President,  
AHD, Inc.

**Edward Gold**  
President, Baltimore  
Division, Ryland Homes  
President, Homebuilders  
Association of Maryland

**Jeffrey Hettleman**  
Executive Vice President,  
The Shelter Group  
President, Maryland  
Affordable Housing Coalition

**Amy Johanson**  
Executive Director,  
Community Capital  
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**Dana Jones**  
Executive Director, Southern  
Maryland Tri-County  
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**Ilene Kessler**  
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**David Lenhart**  
Alderman, City of Frederick

**Dale McArdle**  
Director, Housing Services,  
Catholic Charities of the  
Archdioceses of Baltimore

**Barbara Schmitt**  
Account Executive,  
Triad Guaranty Insurance

**Clarence Snuggs**  
Director, Baltimore  
Enterprise, Enterprise  
Foundation  
Board Member, Maryland  
Center for Community  
Development

**Thomas Michael Thompson**  
Director, Prince George's  
County Department of  
Housing and Community  
Development

**Cathleen Vitale, Esq.**  
Councilwoman,  
Anne Arundel County

**Duane Yoder**  
President, Garrett County  
Community  
Action Corporation

**Letter from Commission Chairman**  
Victor L. Hoskins



Dear Governor Ehrlich:

On behalf of the Governor's Commission on Housing Policy (the Commission), I am pleased to present you with the Final Report of the Commission entitled *Innovative Housing and Community Revitalization in Maryland: Solutions for a Positive Change*.

The Commission has accomplished the objectives you established in your Executive Order, including developing a comprehensive strategic plan, inclusive of practical solutions, to address the workforce/affordable housing and community revitalization challenges in Maryland. Since the first Commission meeting, held on September 17, 2003, the Commission quantified these challenges, created and approved a housing typology, and developed eight recommendations representing practical solutions.

One of the impressive products of the Commission is a groundbreaking ten year analysis quantifying the need for workforce/affordable housing and categorizing that need by groups, including families, seniors and individuals with disabilities. Created by the Department of Housing and Community Development's (DHCD) Office of Research, this analysis provided critical data that guided the Commission in reaching the recommendations outlined in this report.

Your leadership through the creation of the Commission and support of its extraordinary work, underscores your commitment to the critical need for workforce/affordable housing and investment in our older communities. It has been a privilege for me to serve as Chairman of this Commission, as it is a continuing honor to serve as Secretary of DHCD.

I would like to applaud my fellow Commission members on their commitment to this Commission and to recognize the hard work of DHCD staff as the lead agency in working with the Commission. The Commissioners remain dedicated to improving the quality of life in Maryland's communities and increasing the production and preservation of workforce/affordable housing for all Marylanders.

Sincerely,

A handwritten signature in black ink that reads "Victor L. Hoskins". The signature is written in a cursive style with a large initial "V".

Victor L. Hoskins  
Secretary, Department of Housing and Community Development  
Chairman, Governor's Commission on Housing Policy

## Introduction

In March 2003, Governor Robert L. Ehrlich, Jr., signed an Executive Order establishing the Governor's Commission on Housing Policy (the Commission). Governor Ehrlich appointed Victor L. Hoskins, Secretary of the Department of Housing and Community Development (DHCD), as Chairman; Senate President Thomas V. Mike Miller appointed Senator Sharon Grosfeld to represent the Senate; and Speaker of the House Michael E. Busch appointed Delegate Doyle Niemann to represent the House of Delegates.

The 21-member bipartisan Commission combined the knowledge of a variety of experts in the housing field. The Commission members included various stakeholders from local governments, housing agencies, non-profit organizations, financial institutions, advocacy groups for senior citizens and individuals with disabilities, rental property owner organizations, real estate agents, homebuilders and developers.

The purpose of the Commission was to make recommendations to the Governor for specific and measurable actions that could be taken to increase and preserve quality affordable housing in all Maryland communities to meet the needs, as well as the dreams, of working families, individuals with disabilities, the homeless and the elderly. Five subcommittees assisted the Commission to accomplish the duties of the Executive Order and develop the final eight recommendations. More than 95 at-large members, in addition to Commissioners, participated in the subcommittee meetings.

### Commission Subcommittees

- Affordable Housing
- Senior Housing Issues
- Affordable and Accessible Housing for Individuals with Disabilities
- Land Use and Planning
- Community Revitalization

Over the past 15 months, the Commission held ten full Commission meetings, over 40 subcommittee and workgroup meetings, two retreats and four public hearings to accomplish the duties outlined in the Executive Order.

### Duties of the Executive Order

1. Review the procedures and practices currently used in the State administration of housing and community development policies;
2. Utilize existing studies, reports, and census data to examine the state of affordable housing in Maryland;
3. Examine industry trends in the location, production, and rehabilitation of single family and multifamily housing and research information regarding:
  - a. The need for preservation and production of rental housing and special needs housing, including transitional housing and shelters for the homeless;

## Introduction

- b. Homeownership opportunities;
  - c. Barriers, including economic factors, local government regulations and procedures, and community support and perceptions;
  - d. Successful, working initiatives in place at the State and local levels, as well as national initiatives replicable in Maryland;
  - e. Challenges facing healthy, at-risk, distressed, and blighted communities, as well as urban, suburban, and rural areas;
  - f. The need for and impact of housing choice vouchers and other forms of housing assistance; and
  - g. The impact Priority Funding Area designations have on rural communities in the State;
4. Review the methodology and recommendations of the federal Millennial Housing Commission; and
  5. Develop a statewide typology, or set of categories of different types of communities, for the application and allocation of State housing and community development programs, as well as the resources to reflect the diverse range of conditions and needs across the State.



## The Value of Housing and The Maryland Challenge

We all agree that clean, safe, decent and affordable housing is at the very core of healthy families and communities. Moreover, housing has a significant positive impact on the economy.

Nationally and in Maryland, homeownership rates are on the rise and yet there is a critical continuing need for workforce/affordable housing. Governor Ehrlich is committed to providing innovative housing and community revitalization opportunities that improve the quality of life for all Marylanders.

### Homeownership

Housing costs have continued to escalate, and family income has not grown at the same rate. Today, Maryland's workforce, including teachers, police officers and firefighters, has the greatest need for homeownership opportunities in the very communities where they work. According to the Maryland Department of Planning and the Maryland Association of REALTORS®, median home sale prices rose by 38% between 2000 and 2003, while the median household income only increased by 5%. The appreciation in Maryland's median home sale price is seven times more than the rise in median household income.

### Rental Housing

In communities throughout Maryland, housing is the largest single expense for most families. According to the 2000 Census, an estimated 33% of Maryland households pay more than 30% of their income in rent. Additionally, quality affordable rental units are increasingly scarce.

In order to better understand the need for workforce/affordable housing, DHCD's Office of Research conducted a quantitative analysis. The resulting document, entitled *Workforce Affordable Housing in Maryland*, examines the projected gap in affordable rental housing over the next ten years, as well as how DHCD's financial assistance programs can address that gap. This quantitative analysis projects that, over the next ten years, there will be a shortage of 157,000 workforce/affordable rental units for different household types, such as families, seniors and individuals with disabilities. This analysis considers an affordable rental unit to be one where a renter pays less than 30% of his or her income towards rent.

Families account for 66% of this shortage, with seniors and individuals with disabilities accounting for 16% and 18% respectively. Furthermore, the cost of meeting this shortage is significant. Assuming a rental unit cost of \$114,000 and incorporating future inflation, the total cost of producing 157,000 units is \$19.5 billion over the next ten years.

## The Value of Housing and The Maryland Challenge

10 Year Workforce/Affordable Rental Shortage and Cost*		
<ul style="list-style-type: none"> <li>• Shortage: 157,000 households</li> <li>• Cost: \$19.5 billion</li> </ul>		
Production Type	Shortage (Number of Units)	Cost (\$Billions)
Families	103,000	\$12.8
Seniors	25,000	\$3.1
Individuals with Disabilities	29,000	\$3.6
Total	157,000	\$19.5

*\*Projections include population growth and anticipated demographic changes (2005 - 2014)*

Another mandate of the Executive Order was to develop a Statewide typology. This task was undertaken by DHCD's Office of Research and Office of Geographic Analysis. The resulting typology, entitled *Maryland Typology—Demographics, Housing Affordability, and Economic Development Data for Maryland Sub-County Areas*, (the *Maryland Typology*)



illustrates the diverse range of conditions and needs in Maryland's communities. In the *Maryland Typology*, socioeconomic data are applied to areas throughout the State for the purpose of establishing affordability indices, including rental affordability. These indices show the extent to which households in each of Maryland's communities deviate from the affordability threshold, as well as demonstrate the challenge of providing an adequate supply of workforce/affordable housing. Notably, the *Maryland Typology* revealed that the projected ten year rental housing shortage varies by communities across the State.

## DHCD Ongoing and Planned Solutions for a Positive Change

Upon taking office, in addition to the creation of the Commission, Governor Ehrlich implemented a number of innovations addressing the workforce/affordable housing challenge and the need for community revitalization throughout the State. Two examples of these innovations include the **More House 4 Less** marketing campaign for DHCD's low-interest rate homeownership mortgage program and the creation of a new training academy, **Catalyst**, which is designed to provide technical assistance to communities.

### **More House 4 Less Homeownership Campaign**

Governor Ehrlich challenged DHCD to increase homeownership opportunities for Maryland's working families.

As a result, DHCD extensively restructured its Maryland Mortgage Program (MMP) and launched the **More House 4 Less** campaign to make the dream of homeownership a reality for more Marylanders. MMP guidelines were made more user-friendly for eligible low- to moderate-income individuals and families by:

- Raising house purchase price limits and lowering interest rates
- Increasing downpayment assistance
- Streamlining the loan and purchase process
- Offering more flexible zero-to two-point loans
- Removing restrictions requiring home purchases to be in certain areas

New homeowners, who have benefited from these improvements, have an average income of \$44,000, attesting to the success of the program in serving working families.

Since the *More House 4 Less* campaign was launched in April 2003:

- 2,117 Marylanders have utilized MMP to purchase homes, with mortgages totaling more than \$236 million
- An estimated \$17 million in legacy wealth has been created, with an average legacy wealth of \$8,000 for each borrower
- In the first full year the number of homeownership loans more than doubled from the preceding year

### **2003 Homeownership Rates**

Demographics	National	Maryland
All Households	68.3%	71.6%
Minorities	49.5%	53.6%

*\*In 2003, Maryland's overall homeownership rate ranked 22nd in the nation.*

*\*\*In 2000, Maryland's minority homeownership rate ranked 14th in the nation. National ranking for minority homeownership is not available for 2003.*

## DHCD Ongoing and Planned Solutions for a Positive Change

### Catalyst

In order to provide greater assistance to community-based non-profits, local governments, small business entrepreneurs and community developers, DHCD created Catalyst. This innovative training academy assists these individuals and groups in navigating the community revitalization funding opportunities offered by DHCD.

Catalyst offers customized instruction through one-on-one consultations and on-site visits to communities as well as workshops on topics such as how to utilize an infrastructure bond, finance small business and develop a downtown revitalization plan.

In the past year Catalyst has:

- Attracted 360 participants to 21 “Sunrise Seminars” that focused on maximizing the performance of downtown small business retail ventures
- Provided information to 266 staff members from community-based non-profits on topics including marketing, financial management and utilizing State funding programs
- Supplied technical-skills training in community planning and pro forma development to personnel from more than 75 of Maryland’s jurisdictions

### Other Solutions for a Positive Change

In addition to the aforementioned initiatives, DHCD also controls many of the financial tools and resources necessary to facilitate affordable housing production and community revitalization. A cabinet-level agency, DHCD focuses its resources on improving communities and creating housing opportunities for all Marylanders. DHCD was created in 1987, and its mission is “to improve the quality of life in Maryland by working with its partners to revitalize communities, expand homeownership and workforce/affordable housing opportunities, and preserve historic sites and traditions.”

### Homeownership Solutions

As well as launching the *More House 4 Less* campaign, DHCD is working to bring further enhancements to its mortgage program, which is primarily financed by the issuance of tax-exempt bonds. Homeownership innovations include the improvement of DHCD’s tax-exempt revenue bond program and the creation of new partnerships with private lenders. These innovations will assist potential borrowers who are currently not eligible for DHCD’s tax-exempt bond program. These new partnerships will enable DHCD to increase its current annual homeownership production from about 1,700 loans, based on the average production for the past five years, to about 2,600 loans—a 900 loan increase annually, or over 50% more in production.



## DHCD Ongoing and Planned Solutions for a Positive Change

### Rental Housing Solutions

Potential DHCD financial innovations, such as combining State-funded and bond-funded loans, optimizing the number of tax-credit only projects, and improving DHCD's bond program, is an important part of the rental housing solution. Together with existing controlled resources, DHCD estimates it can financially assist about 900 additional rental units annually through the issuance of higher levels of tax-exempt revenue bonds. The proposed enhancements will augment DHCD's current annual rental housing production from about 2,700 units, based on the average production for the past five years, to about 3,600 units, or an increase of over 30%.

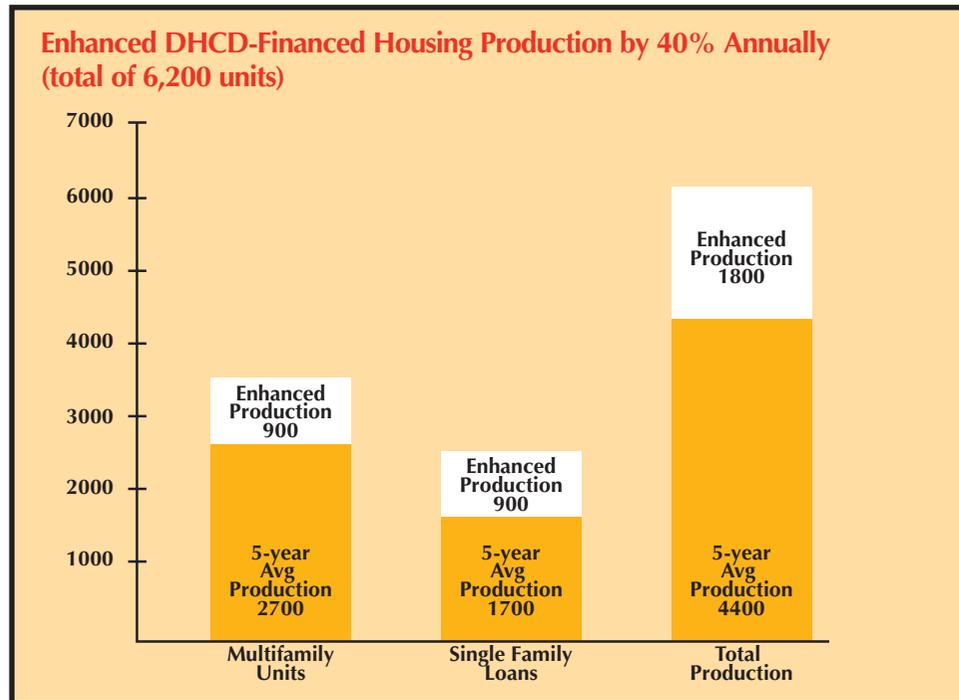
### Homeownership and Rental Enhancements

DHCD plans to expand its ability to provide financial assistance to increase the production of affordable homeownership and rental opportunities through a series of interrelated enhancements and innovations, which include:

- 1. Optimize All DHCD Funding Sources by:**
  - *Expanding the use of revenue bond resources*
    - Example: leverage State loans with revenue bond funds
  - *Improving leverage of all available financial assistance*
    - Example: utilize premium bonds to fund closing cost assistance
- 2. Improve Lending Programs Financed Through DHCD's Revenue Bond Program by:**
  - *Providing flexible loan products and streamlined underwriting*
    - Example: offer a 35-year mortgage, with interest only payments for the first five years
  - *Offering the lowest fixed mortgage rate possible*
    - Example: maintain a sub-5%, 30-year fixed rate mortgage
- 3. Enhance Financial Management of Revenue Bond Programs to Ensure Improved Lending Program and the Lowest Borrowing Costs by:**
  - *Maintaining strong financial policies to reduce existing and ongoing borrowing costs*
    - Example: warehouse mortgages to lower overall cost of funds
  - *Utilizing different types of financing techniques to allow for the lowest possible mortgage interest rates*
    - Example: issue variable rate debt to lower borrowing costs
- 4. Create/Augment Private Sector Partnerships by:**
  - *Creating new programs that do not have some of the constraints associated with tax exempt financing*
    - Example: develop new partnerships with private lenders
  - *Exploring new financing techniques and credit enhancement options*
    - Example: provide tax credit bridge financing

## DHCD Ongoing and Planned Solutions for a Positive Change

DHCD's ongoing and planned innovations will potentially have a significant impact on both the homeownership and rental housing challenges, resulting in as many as 1,800 more affordable units annually, representing a 40% increase. A total of 6,200 affordable units will be produced on an annual basis.



Additionally, increasing homeownership has the compounded effect of both creating new homeowners and, in many cases, making more affordable rental units available. DHCD achieves virtually a two-fold return in creating workforce/affordable housing in Maryland with every homeownership opportunity it creates—the affordable homeownership loan and one freed-up affordable rental unit.

## The Impact of DHCD's Solutions on the Challenge

Based upon its current State funding support and with planned innovations and enhancements to the homeownership and rental housing lending programs, DHCD will reduce the projected housing shortage by 62,000 units, representing 40% of the total 157,000 shortage, during the next ten years. Importantly, since these enhancements and innovations are largely predicated on improving DHCD's revenue bond programs, they will not require additional State funds. The 62,000 units financed over the next ten years (6,200 per year) fully leverage all of DHCD's resources with private financial resources.

<b>Remaining Workforce/Affordable Challenge After 10 Years</b>			
	<b>UNITS</b>	<b>COST (\$Billions)</b>	<b>PERCENT</b>
10 YEAR CHALLENGE	157,000	\$19.5	100%
DHCD CURRENT ACTIVITIES PLUS ENHANCEMENTS	62,000	\$7.8	40%
BALANCE AFTER 10 YEARS	95,000	\$11.7	60%

After 20 years, DHCD will potentially impact the workforce/affordable housing challenge by 80% or 124,000 units. The remaining balance after 20 years will be approximately 33,000 units at a cost of approximately \$3.9 billion.

<b>Remaining Workforce/Affordable Challenge After 20 Years</b>			
	<b>UNITS</b>	<b>COST (\$Billions)</b>	<b>PERCENT</b>
10 YEAR CHALLENGE	157,000	\$19.5	100%
DHCD CURRENT ACTIVITIES PLUS ENHANCEMENTS	124,000	\$15.6	80%
BALANCE AFTER 20 YEARS*	33,000	\$3.9	20%

\* Assumes no new growth in shortage beyond year 2014

Clearly, the planned DHCD enhancements can have a great impact on tackling the workforce/affordable housing challenge over the next 20 years and will work in tandem with the eight recommendations of the Commission.

## Solutions for a Positive Change: The Eight Final Recommendations of the Commission

The final eight recommendations of the Commission represent many innovative and creative solutions. Additionally, the recommendations take into consideration several important factors:

- The magnitude of the housing shortage identified in the quantitative analysis, *Workforce Affordable Housing in Maryland*, and the *Maryland Typology*, as well as the ongoing and planned efforts of DHCD to bridge the gap.
- The importance that the recommendations represent practical solutions that could be implemented in the short term.
- The need to address workforce/affordable and accessible housing options for special-needs populations, including individuals with disabilities at or below Supplemental Security Income (SSI), seniors and the homeless.
- The desire to leverage public sector funds with private sector investment.
- The need to utilize the Ehrlich Administration's Pillar of Fiscal Responsibility when analyzing the recommendations.

One of these recommendations in and of itself cannot make a great impact, however, as a group, the eight final recommendations of the Commission can and will have a positive impact on Marylanders across the State.



## Recommendations: Local Land Use and Planning

### Recommendation 1

**Partner with local jurisdictions to further a long-term commitment to an adequate supply of housing for all Maryland citizens. In that regard, utilize the Development Capacity Task Force Memorandum of Understanding (MOU), executed by the Maryland Municipal League, the Maryland Association of Counties, and the Maryland Department of Planning on August 19, 2004, as a mechanism for facilitating the development of a housing plan for each jurisdiction, as deemed appropriate by the jurisdiction. Among other items, the housing plans may address the supply of land properly zoned for residential purposes and sufficient to accommodate growth that equitably addresses affordability for all Maryland citizens at all incomes, including workforce families/individuals, seniors, individuals with disabilities below Supplemental Security Income (SSI) level and the homeless.**

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Maryland's land is its greatest asset. Most land-use and zoning decisions are made by local jurisdictions and consequently these decisions directly impact seniors' ability to age in place, individuals' with disabilities access to affordable and accessible housing and families' desire to live near schools and employment centers. Additionally, land use and planning policies guide residential, commercial, environmental, historic and recreational development activities that shape our communities.

The development of housing plans that take into consideration the needs of families, seniors and individuals with disabilities will assist local jurisdictions in ensuring that all members of the communities have housing choices. One size does not fit all when it comes to housing plans, as the demand for housing in jurisdictions throughout Maryland widely differ. Therefore, it is important for local jurisdictions to have flexibility in designing housing plans to meet the needs of its residents today, and to plan for future needs as demographic patterns change. Additionally, continuing education of all Marylanders, including local policy makers, as to the need for workforce/affordable housing in their communities is critical to the successful implementation of local housing plans.

## Recommendations: Public-Private Sector Resource Leveraging

### Recommendation 2

**Modify State funding requirements for housing and economic development financial resources to ensure that the supply of workforce/affordable housing is considered as an element of the decision-making process.**

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The way in which State resources are directed can have a widespread impact on the quality of life of Maryland's citizens. For example, when new jobs are created as a result of economic development efforts by the State, such as a new business or enterprise relocating to Maryland, there is often a corresponding need for housing and other community-based services.

Recognizing the link between economic development, housing, and community development, and structuring the State's resources in such a way that all are considered, will help ensure vibrant communities throughout Maryland.



## Recommendations: Public-Private Sector Resource Leveraging

### Recommendation 3

**Introduce legislation that creates a Maryland Housing and Community Revitalization Trust Fund (the Trust Fund) administered by DHCD that would receive a portion of the increase in real estate property taxes caused by State investment in a housing or community revitalization initiative.**

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As budgetary constraints continue to challenge many states around the nation, the public sector continues to look for additional revenue streams as a means to finance workforce/affordable housing. The Trust Fund seeks to capitalize on the increase in real property taxes realized on projects in which DHCD invests. For example, when vacant land is developed into workforce/affordable rental units through DHCD's financial assistance, the value of the land with these improvements dramatically increases and additional real property taxes are generated. The creation of the Trust would allow the State's portion of the increase in real property taxes to be utilized as a dedicated source for the development of additional workforce/affordable housing and community revitalization initiatives. Over the next ten years, it is projected that as much as a \$42 million revenue stream could be created.

#### Formula for Creating Revenue for the Trust Fund

100% of the increase in State's property tax (\$0.13 1/2/\$100) caused by DHCD financial activities  
**plus**  
10% of the local property tax caused by DHCD financial activities  
**equals**  
approximately a \$42 million revenue stream to be credited over 10 years

The development of the Trust Fund will focus the increase in economic impact towards furthering communities and housing production and preservation. Specifically, the Trust Fund revenue will be used for workforce/affordable housing or community revitalization project costs that are traditionally difficult to finance or find funding for, including predevelopment costs, bridge loans, demolition, site preparation, capital equity, interest rate buy-down options, operating support and other costs. The funds will act as a match, leveraging other forms of public and private sector forms of investment.

## Recommendations: Public-Private Sector Resource Leveraging

### Recommendation 4

**Utilize a portion of the funds generated by the Maryland Housing and Community Revitalization Trust Fund to support community-based organizations and non-profit organizations that provide housing counseling programs.**

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Homeownership counseling provides a critical service to Marylanders who aspire to own a home. In addition to reducing foreclosures and bankruptcies, homeownership counseling assists with family budgeting, financial planning and raising awareness about the benefits of ongoing home maintenance.

In Maryland, there are numerous organizations that provide homeownership counseling to families and individuals. Operating funds are the single biggest challenge organizations have when struggling for survival. Public funds available for operating expenses are not plentiful. Thus, a dedicated revenue stream will help ensure the financial stability of those important organizations.



## Recommendations: Public-Private Sector Resource Leveraging

### Recommendation 5

**Support and encourage the State’s participation in the Maryland Equity Fund Steering Committee that will analyze Maryland’s ability to support an Equity Fund that will provide funds for workforce/affordable housing and community revitalization initiatives.**

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DHCD traditionally functions in areas where there is a financing gap in the private market and the State’s investment can stimulate additional public and private investment. Additional tools are necessary, however, to meet the increasing need for workforce/affordable housing.

As the public and non-profit sectors face pressing capital needs to produce workforce/affordable housing and to revitalize blighted neighborhoods, a rapidly growing, new financial industry of “double bottom line” private equity funds has emerged to fill the gap. In less than a decade, in communities around the nation, including California, Massachusetts and Missouri, this industry has invested more than \$2.5 billion, primarily consisting of large institutional capital which, in turn, has leveraged more than \$10 billion to produce:

1. Risk adjusted market rates of returns for investors (the first bottom line)
2. Measurable jobs, wealth and community revitalization for community stakeholders (the second bottom line)

A group of non-profit organizations, local governments, lending institutions, and other stakeholders have created the Maryland Equity Fund Steering Committee to explore the feasibility of creating an equity fund or funds here in Maryland. Similar to other communities around the nation, the creation of a Maryland equity fund or funds could serve to attract significant private investments in communities throughout the State.

## Recommendations: Special Needs Housing

### Recommendation 6

**Create a Bridge Subsidy Demonstration Program for individuals with disabilities by reallocating a portion of existing resources of funds from the Maryland Department of Housing and Community Development and other State agencies, for the purpose of providing short-term rental assistance to 75 to 100 individuals annually, for up to three years, while the individuals await permanent housing assistance such as a Section 8 Housing Choice Voucher. The cost is estimated to be \$700,000 annually for three years, totaling \$2.1 million.**

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Individuals with disabilities at the Supplemental Security Income (SSI) level receive under \$7,000 annually for housing, medical attention, food and other necessities. Homeless individuals receive even less and often have no other income.

There is a need to transition individuals with disabilities from structured service settings to housing choices in mainstream settings that offer a greater potential for independence and self-sufficiency. While traditional permanent housing solutions such as the Housing Choice Voucher Program (Section 8) and the Public Housing Program are still viable options for these individuals, there are extensive waiting lists at most housing agencies in Maryland. As a result there is often a much longer waiting period for these types of assistance. The creation of a viable bridge subsidy program can serve to provide affordable rental assistance until a more permanent solution is identified.

The standard Housing Choice Voucher Program was evaluated as the most likely source for a bridge subsidy program (Tenant Based and Project Based). During the last several years, many housing agencies struggled to meet utilization rates in Maryland. A program that targets individuals with disabilities and improves statewide utilization rates presents a positive step forward in assisting the neediest segment of Maryland's population.



## Recommendations: Special Needs Housing

### Recommendation 7

**Create an interdepartmental steering committee, established by the Governor and led by the Department of Budget and Management, to address service delivery efficiencies and 1) direct a portion of any State savings and/or 2) redirect existing resources for the production of affordable housing for seniors and individuals with disabilities at SSI level income, regardless of age.**

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The goal of this recommendation is to analyze social service delivery to Maryland's senior citizens and individuals with disabilities and develop ways to provide overall State savings. Under the leadership of the Department of Budget and Management, State agencies such as the Department of Human Resources, Department of Health and Mental Hygiene, Department of Disabilities, Department of Aging and DHCD will work collaboratively to develop ways to provide the same services more effectively and more efficiently, thereby freeing up funds. In turn, those savings can be used to create additional housing opportunities for these segments of Maryland's population.

## Recommendations: Special Needs Housing

### Recommendation 8

**Include the Maryland Department of Housing and Community Development in the review process of the State’s surplus property inventory to assist with the identification of land appropriate for housing development, which includes workforce housing, senior housing and housing for individuals with disabilities, including those at SSI level income.**

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The Department of General Services (DGS) manages the disposition process for surplus State land. The focus of the recommendation is to encourage DGS and DHCD to work collaboratively to explore any opportunities to utilize excess State land for the development of housing for Maryland’s workforce, seniors and individuals with disabilities, including those at SSI level income.

## The Future: Looking Ahead to Positive Change

The work of the Commission and the final eight recommendations provide a strong base of knowledge and an understanding of the acute need for workforce/affordable housing and community revitalization throughout Maryland. Perhaps more importantly, the Commission's work offers direction as to how to proceed over the next several years in solving these critical issues.

Ensuring that all Marylanders have housing choices and can live in places that are healthy for their children—close to work, schools and places of worship—is the cornerstone of a vibrant and diverse community. Through continuing innovations at DHCD and collaboration among its many partners, not only will the work of the Commission be implemented, but also new ideas will continue to evolve. As long as there are committed individuals with vision, there is no limit to what can be accomplished for the greater good.



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**Sharon Brent**  
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**Marsha Johnson**

**Leslie Leitch**  
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**Frank Pintor**  
Making Choices for Independent Living

**Cathy Raggio**  
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### Affordable Housing Subcommittee

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### Affordable Housing Subcommittee, continued

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The CD-ROM included with this report contains additional documents that are part of the work of the Governor's Commission on Housing Policy.

**Executive Order 01.01.2003.10**  
**Interim Report submitted September 30, 2004**  
**Commission Meeting Minutes**

**Maryland Typology**  
**Maryland Quantitative Analysis**  
**Final Report submitted December 31, 2004**



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