





April 15, 2024

MEMORANDUM

TO: Thomas E. Dernoga, Chair
 Planning, Housing and Economic Development (PHED) Committee

THRU: Joseph R. Hamlin 
 Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye, 
 Budget and Policy Analyst

RE: Department of Housing and Community Development
 Fiscal Year 2025 Budget Review

Budget Overview – DHCD (Including Housing Authority)

The FY 2025 Proposed Budget for the Department of Housing and Community Development (“DHCD” or the “Department”) is, \$142,545,200 an increase of \$12,536,300 or 9.6%, over the FY 2024 Approved Budget. This is mainly due to the increase in operating costs for the Workforce Housing Gap Financing program projects (\$12,300,000) in the Housing Investment Trust Fund (HITF).

Budget Comparison – All Funds

Actual Fiscal Year 2023 to Proposed Fiscal Year 2025

| Fund | FY 2023 Actual | FY 2024 Approved | FY 2024 Estimated | % Change - Est vs App | FY 2025 Proposed | \$ Change | % Change |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| General Fund | \$ 5,079,912 | \$ 5,851,500 | \$ 5,942,900 | 1.6% | \$ 5,687,700 | \$ (163,800) | -2.8% |
| Grants | 145,681,909 | 108,491,500 | 135,437,000 | 24.8% | 108,739,200 | 247,700 | 0.2% |
| Special Revenue Funds | 5,744,385 | 15,665,900 | 2,228,500 | -85.8% | 28,118,300 | 12,452,400 | 79.5% |
| Total | \$ 156,506,206 | \$ 130,008,900 | \$ 143,608,400 | 10.5% | \$ 142,545,200 | \$ 12,536,300 | 9.6% |

- The Department reports that the proposed FY 2025 General Fund is \$5,687,700, a \$163,800 or -2.8% decrease. The proposed Grant Fund is \$108,739,200, an increase of \$247,700 or 0.2%. The proposed Special Revenue Fund is \$28,118,300, a \$12,452,400 or 79.5% increase.

Authorized Staffing Count – All Funds¹

| | FY 2024 Approved | FY 2025 Proposed | Change Amount | % Change |
|----------------------|---------------------|---------------------|------------------|-------------|
| General Fund | 29 | 29 | 0 | 0.0% |
| Grant Funds | 89 | 89 | 0 | 0.0% |
| Special Revenue Fund | 3 | 3 | 0 | 0.0% |
| Total | 121 | 121 | 0 | 0.0% |

- The Department has an attrition rate of 8.9%. The main factor contributing to attrition is eligible retirees, attrition has been a strain on staff due to increased responsibilities, but this has been addressed through consultancy.
- There are currently six (6) vacancies. General Fund two (2), Grant Fund (3), Special Revenue Fund one (1).
- Two (2) Grant Fund positions are unfunded, this includes the Community Developer and Community Developer 3A positions.
- Changes from FY 2024 to proposed FY 2025 include the removal of a Limited Term Grant Funded position that was reallocated to the Special Revenue Fund as a Full Time position.

Budget Comparison – General Fund

Actual Fiscal Year 2023 to Proposed Fiscal Year 2025 – General Fund

| Category | FY 2023 Actual | FY 2024 Approved | FY 2024 Estimated | FY 2025 Proposed | \$ Change | % Change |
|--------------------|---------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| Compensation | \$ 2,760,739 | \$ 3,505,300 | \$ 3,438,500 | \$ 3,634,400 | \$ 129,100 | 3.7% |
| Fringe Benefits | 799,831 | 1,184,700 | 917,500 | 1,163,100 | (21,600) | -1.8% |
| Operating Expenses | 1,519,342 | 1,161,500 | 1,586,900 | 890,200 | (271,300) | -23.4% |
| Total | \$ 5,079,912 | \$ 5,851,500 | \$ 5,942,900 | \$ 5,687,700 | \$ (163,800) | -2.8% |

- For FY 2025, \$1,633,400 is proposed for the Administration Division, an increase of \$15,500 or 1.0% over the FY 2024 budget.
- For FY 2025, \$2,228,600 is proposed for the Housing and Community Development Division, a decrease of \$229,600 or -9.3% below the FY 2024 budget.

¹ The DHCD staffing complement includes nine (9) full-time staff assigned to the Redevelopment Authority and 117 full time staff and four (4) limited term grant funded positions.

- For FY 2025, \$1,825,700 is proposed for the Redevelopment Division, an increase of \$50,300 or 2.8% over the FY 2024 budget.

Authorized Staffing Count – General Fund

| | FY 2024 Approved | FY 2025 Proposed | Change Amount | % Change |
|--------------|-----------------------------|-----------------------------|--------------------------|---------------------|
| Full-Time | 29 | 29 | 0 | 0.0% |
| Part-Time | 0 | 0 | 0 | 0.0% |
| Total | 29 | 29 | 0 | 0.0% |

Staffing Changes and Compensation

- FY 2025 General Fund compensation is proposed at \$3,634,400, an increase of \$129,100, or 3.7%, over the FY 2024 Approved Budget. The increase is due to mandated salary requirements.
- FY 2025 General Fund includes a staffing count of 29, with no changes from FY 2024. There are currently two (2) vacancies which are the Accountant 2G and Administrative Specialist 1G positions.
- The Accountant I/II Positions are most affected by attrition.

Fringe Benefits

- FY 2025 fringe benefits are proposed at \$1,163,100 a decrease of \$21,600, or -1.8%, below the FY 2024 Approved Budget due to a change in fringe benefit rates from 33.8% to 32% to align with projected healthcare and pension costs.
- A five-year trend analysis of fringe benefit expenditures is included in the table below:

| Fringe Benefits Historical Trend | | | | | |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| | FY 2021 Actual | FY 2022 Actual | FY 2023 Actual | FY 2024 Estimate | FY 2025 Proposed |
| Compensation | \$2,853,178 | \$2,741,177 | \$2,760,739 | \$3,438,500 | \$3,634,400 |
| Fringe Benefit Expenditures | \$853,980 | \$804,882 | \$799,831 | \$917,500 | \$1,163,100 |
| As a % of Compensation | 29.9% | 29.4% | 29.0% | 26.7% | 32.0% |

Operating Expenses

- FY 2025 proposed operating expenses are \$890,200, a \$271,300, or -23.4%, decrease from the FY 2024 budget. This is due to the removal of consulting contracts, including contracts for the

County’s Consolidated Plan, Comprehensive Housing Strategy, affordable housing dashboard, and the Housing Fair.

Budget Comparison – Grant Fund

- FY 2025 proposed grant funds are \$9,856,700. This is a decrease of \$218,000, or -2.2%, from the FY 2024 budget. This decrease is due to the reduction of the HOME Investment Partnerships Program.
- Grant programs for FY 2025 include Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), Home Investment Partnership (HOME)
- Program income for FY 2025 includes HOME Loan, Maryland National Mortgage Settlement, Neighborhood Conservation Initiative (NCI), Neighborhood Stabilization Program (NCI), Home Investment Partnership (HOME), and the Neighborhood Stabilization Program (NSP).

Actual Fiscal Year 2023 to Proposed Fiscal Year 2025 – Grants

| Category | FY 2023 Actual | FY 2024 Approved | FY 2024 Estimated | FY 2025 Proposed | \$ Change | % Change |
|--------------------|----------------------|----------------------|----------------------|---------------------|---------------------|--------------|
| Compensation | \$ 2,308,955 | \$ 1,089,000 | \$ 967,700 | \$ 910,000 | \$ (179,000) | -16.4% |
| Fringe Benefits | 396,368 | 289,200 | 309,700 | 318,500 | 29,300 | 10.1% |
| Operating Expenses | 43,196,110 | 8,696,500 | 24,651,000 | 8,628,200 | (68,300) | -0.8% |
| Total | \$ 45,901,433 | \$ 10,074,700 | \$ 25,928,400 | \$ 9,856,700 | \$ (218,000) | -2.2% |

Authorized Staffing Count – Grant Fund

| | FY 2024 Approved | FY 2025 Proposed | Change Amount | % Change |
|--------------|---------------------|---------------------|------------------|-------------|
| Full-Time | 10 | 10 | 0 | 0.0% |
| Limited Term | 3 | 3 | 0 | 0.0% |
| Total | 13 | 13 | 0 | 0.0% |

Staffing Changes and Compensation

- FY 2025 Grant Fund compensation is proposed at \$910,000, which is \$179,000, or -16.4%, below the FY 2024 Approved Budget. The decrease is due largely to the reduction of the HOME Investment Partnership program.
- Positions changes include removing one (1) limited-term grant-funded position for the Pathways to Purchase Program position and adding one (1) limited-term grant-funded position for the ESG program.
- FY 2025 Grant Fund includes a staffing count of ten (10) full-time and three (3) limited-term positions.

Fringe Benefits

- The FY 2025 proposed fringe benefit expenditures are \$318,500, an increase of \$29,300, or 10.1%, above the FY 2024 Approved Budget.

Operating Expenses

- FY 2025 proposed operating expenses are \$8,628,200, which is a decrease of \$68,300, or - 0.8%, under the FY 2024 Approved Budget. This is primarily due to the reduction of the HOME Investment Partnership program.

Highlights

- The Emergency Rental Assistance Program distributed \$4,086,357.41 in ERAP funds to 361 families in FY 2024. Thus far, the program has disbursed \$111,526,672 among 11,179 families. As of March 8, 2024, the current balance is 10.8 million, and DHCD anticipates that all funds will be allocated by December 31, 2024.
- For FY 2024, the CDBG program announced three (3) Notices of Funding Availability (NOFA) to support shovel-ready projects for affordable housing, economic development, and public facilities and infrastructure; \$1,020,000 was awarded in the first round. DHCD is awaiting approval for the second round of recommendations. CDBG, CV1, and CV3 funds to support shovel-ready public service projects are anticipating allocating \$1,300,000 of these funds.
- Through technical assistance to nonprofits and/or municipalities, the CDBG program has closed out approximately 11 prior year projects.
- Provided funding to support a Faith-Based Development Initiative in the County, which began implementation in FY 2024.
- Enhanced the Pathway to Purchase program by partnering with the State of Maryland.
- Published the Affordable Housing Dashboard.
- Completed construction of four (4) affordable housing developments, which included:
 - Woodyard Station Family Apartments
 - Woodyard Station Senior Apartments – 112 senior units
 - Homes at Oxon Hill 163 senior units, 147 will be affordable
 - The Residences at Springbrook – 100 senior units
- Funded six (6) affordable housing projects that are currently under construction, which include:
 - Glenarden Hills 3 -4%
 - Glenarden Hills 3-9%
 - Atworth at College Park Metro

- Sovren at West Hyattsville Metro
 - Flats at College Park
 - Hill House at Beechfield
- Continued implementation of the Homeownership Preservation Fund (HOPP) and the Housing Assistance Rehabilitation Program (HRAP).
- Preserved affordability at six (6) properties through the Right of First Refusal Program (ROFR)
 - Capitol Square
 - Pleasant Homes
 - Millwood Townhomes
 - Central Gardens
- Currently, two (2) non-profits are administering program funds for HRAP and HOPP, which are at capacity but will soon allow a new pipeline of projects.
- DHCD currently has approximately 30 partnerships, which includes nonprofit organizations, local government agencies and municipalities for CDBG funding.
- For Emergency Solutions Grants (ESG), DHCD expended the remaining \$53,002.74 of FY 2022 funds and will expend the remaining \$378,892,60 of FY 2023 funds by the end of FY 2024.
- Habitat for Humanity was awarded \$1 million in ARPA to administer HOPP; to date, \$900,142 has been disbursed. The average disbursement per project is \$30,000, and 39 applications were approved out of 43 applications received.
- In FY 2024, DHCD issued letters of support to three (3) projects totaling the full \$4,588,164 allocation of HOME-ARP funds to support the development of affordable rental housing. Regarding the HOME-ARP funds, DHCD is discussing a process for soliciting and utilizing funds set aside for supportive services and acquisition/development of non-congregate shelter.

Grant Funds by Division

| Fiscal Year 2025 | | | | | | |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|----------------|
| Department of Housing and Community Development | | | | | | |
| Grants by Division | | | | | | |
| GRANTS | FY 2023 Actual | FY 2024 Budgeted | FY 2024 Estimated | FY 2025 Proposed | \$ Change | % Change |
| <u>Community Planning & Development Division</u> | | | | | | |
| Community Development Block Grant (CDBG) | \$ 6,022,331 | \$ 4,853,500 | \$ 5,291,600 | \$ 5,291,800 | \$ 438,300 | 9.0% |
| CDBG: Single Family Rehabilitation Loan Program | 407,163 | 470,000 | 465,900 | 465,900 | \$ (4,100) | -0.9% |
| Emergency Solutions Grant (ESG) | 547,417 | 437,700 | 446,300 | 446,300 | \$ 8,600 | 2.0% |
| Fy 2022 Home American Rescue Plan Act | 116,425 | | 6,453,300 | | \$ - | 0.0% |
| FY21 Covid Relief Fund Emergency Rental Assistance | 2,483,393 | | | | \$ - | |
| FY20 Covid Aid Relief and Economic Security Act (CARES) | 292,859 | | | | \$ - | |
| FY21 Maryland Emergency Rental Assistance 1 | 11,546,927 | | | | \$ - | |
| FY21 Covid Relief Fund Emergency Rental Assistance 2 | 9,269,087 | | | | \$ - | |
| FY20 CARES CDBG CV | 1,389,550 | | | | \$ - | |
| FY21 CARES CDBG CV 2 | 1,591,600 | | | | | |
| FY22 Maryland Emergency Rental Assistance 2 | 12,103,356 | | 9,676,700 | | \$ - | |
| Maryland National Mortgage Settlement Program Income | | 242,400 | 139,600 | 139,600 | \$ (102,800) | |
| Neighborhood Conservation Initiative Program Income | | 25,600 | 25,600 | 25,600 | \$ - | |
| Neighborhood Stabilization Program Income | | 64,600 | 72,100 | 72,100 | \$ 7,500 | |
| Subtotal | \$ 45,770,108 | \$ 6,093,800 | \$ 22,571,100 | \$ 6,441,300 | \$ 347,500 | 5.7% |
| <u>Housing Development Division</u> | | | | | | |
| Home Investment Partnership Program (HOME) | \$ 131,325 | \$ 2,348,600 | \$ 2,348,600 | \$ 2,406,700 | \$ 58,100 | 2.5% |
| Home Program Income | | 1,408,400 | 1,008,700 | 1,008,700 | (399,700) | -28.4% |
| Subtotal | \$ 131,325 | \$ 3,757,000 | \$ 3,357,300 | \$ 3,415,400 | \$ (341,600) | -9.1% |
| <u>Redevelopment Division</u> | | | | | | |
| CDBG: Pathway to Purchase (P2P) | \$ - | \$ 223,900 | | | (223,900) | -100.0% |
| Subtotal | \$ - | \$ 223,900 | \$ - | \$ - | \$ (223,900) | -100.0% |
| <u>DHCD Total Grants- Outside Sources</u> | | | | | | |
| DHCD Total Grants- Outside Sources | \$ 45,901,433 | \$ 10,074,700 | \$ 25,928,400 | \$ 9,856,700 | \$ (218,000) | -2.2% |
| Transfer from General Fund - County Contribution | \$ - | \$ - | \$ - | \$ - | \$ - | 0.0% |
| Total Grant Expenditures | \$ 45,901,433 | \$ 10,074,700 | \$ 25,928,400 | \$ 9,856,700 | \$ (218,000) | -2.2% |

Budget Comparison – Special Revenue Funds - Housing Investment Trust Fund

The Housing Investment Trust Fund was created by legislation through Council Bill 21-2012 and amended by Council Bill 57-2017 to assist with specific activities of addressing the County’s affordable housing challenge.

As amended, the Housing Investment Trust Fund supports the Workforce Housing Gap Financing and the Down Payment and Closing Cost Assistance Programs.

Actual Fiscal Year 2023 to Fiscal Year 2025 Proposed – Housing Investment Trust Fund

| Category | FY 2023 Actual | FY 2024 Approved | FY 2024 Estimated | FY 2025 Proposed | \$ Change | % Change |
|--------------------|---------------------|---------------------|----------------------|----------------------|----------------------|--------------|
| Compensation | \$ 88,322 | \$ 278,000 | \$ 182,800 | \$ 317,600 | \$ 39,600 | 14.2% |
| Fringe Benefits | 19,391 | 86,900 | 45,700 | 100,700 | 13,800 | 15.9% |
| Operating Expenses | 5,636,672 | 15,301,000 | 2,000,000 | 27,700,000 | 12,399,000 | 81.0% |
| Total | \$ 5,744,385 | \$15,665,900 | \$ 2,228,500 | \$ 28,118,300 | \$ 12,452,400 | 79.5% |

Authorized Staffing Count

| | FY 2024 Approved | FY 2025 Proposed | Change Amount | % Change |
|--------------|---------------------|---------------------|------------------|-------------|
| Full-Time | 2 | 3 | 1 | 0.0% |
| Limited Term | 1 | 0 | -1 | 0.0% |
| Total | 3 | 3 | 0 | 0.0% |

- The proposed FY 2025 budget for the Housing Investment Trust Fund (HITF) is \$28,118,300, an increase of \$12,452,400, or 79.5%, from the approved FY 2024 budget. This is primarily due to the reappropriation of committed funds for delayed projects.
- The appropriated fund balance increased by \$14,888,100, or 582.0%, over the FY 2024 Approved Budget.
- FY 2025 HITF Fund compensation is proposed at \$317,600, which is \$39,600, or 14.2%, above the FY 2024 Approved Budget. This includes three (3) full-time positions, and one (1) long-term grant funded position was reallocated to a full-time position in FY 2024.
- FY 2025 HITF Fund fringe benefits are proposed at \$100,700, which is \$13,800, or 15.9%, above the FY 2024 Approved Budget. This increase is due to anticipated costs.
- There is currently one (1) vacancy in the HITF fund, which is the Community Developer 4G position, which will be filled before the end of FY 2024.
- For the calendar year 2023, 14 projects were in the LIHTC Application phase that had a commitment of funds from the HITF, and Five (5) projects awaiting financing from the State.

Housing Investment Trust Fund Development Projects

Projects Under Construction/Pre-construction/Underwriting Process:

| Project Name | Number of Units | Number of Affordable Units | HITF | Status |
|----------------------------------|------------------------|-----------------------------------|---------------------|--------------------|
| 210 on the Park | 158 | 128 | \$3,000,000 | Financing - State |
| Park Place at Addison Road Metro | 193 | 193 | \$3,500,000 | Financing - State |
| Cottage City Towers | 100 | 100 | \$2,500,000 | Financing - State |
| Addison Park Metro | 293 | 293 | \$3,000,000 | Financing - State |
| Hamlet Woods | 59 | 59 | \$2,500,000 | Financing - State |
| Atworth College Park Metro | 451 | 451 | \$2,000,000 | Under Construction |
| Glenarden Phase 3 | 114 | 94 | \$3,000,000 | Under Construction |
| Residences at Springbrook | 90 | 90 | \$750,000 | Under Construction |
| Sovern West Hyattsville Metro | 293 | 147 | \$2,000,000 | Under Construction |
| Total | 1751 | 1555 | \$19,750,000 | |

Projects DHCD Has Provided Support Letters to Include in MD DHCD LIHTC Program

| Project Name | Number of Units | Number of Affordable Units | HITF | Status |
|--------------------------------|------------------------|-----------------------------------|---------------------|---------------------|
| Dominum's Purple Line Project | 245 | 245 | \$2,500,000 | LIHTC Application |
| Bowie Commons | 36 | 26 | \$1,000,000 | LIHTC Application |
| Branchville Crossing | 51 | 51 | \$2,500,000 | LIHTC Application |
| Residences at Silver Hill East | 90 | 90 | \$2,500,000 | LIHTC Application |
| Residences at Silver Hill West | 124 | 124 | \$2,500,000 | LIHTC Application |
| Silver Hill 4% | 150 | 150 | \$3,000,000 | LIHTC Application |
| Silver Hill 9% | 50 | 50 | \$2,800,000 | LIHTC Application |
| The Ascent | 280 | 280 | \$785,147 | LIHTC Application |
| Pennrose Blue Project 4% | 70 | 70 | \$6,250,000 | LIHTC Application |
| Pennrose Blue Project 9% | 50 | 50 | \$750,000 | LIHTC Application |
| New Carrollton Phase I | 110 | 110 | \$2,000,000 | LIHTC V/C Submitted |
| New Carrollton Phase II | 102 | 102 | \$2,000,000 | LIHTC V/C Submitted |
| New Carrollton Phase III | 50 | 50 | \$2,500,000 | LIHTC Application |
| New Carrollton Phase IV | 102 | 102 | \$2,500,000 | LIHTC Application |
| Total | 1510 | 1500 | \$30,085,147 | |

DHCD – FY 2025 Strategic Focus and Initiatives:

- Support the County’s affordable housing production goals by supporting new affordable multi-family rental projects through the issuance of a NOFA for the HOME Program, HOME American Rescue Plan program, HITF and PILOT.
- Preserve naturally occurring affordable housing through covenants by expanding the implementation of the Right of First Refusal (ROFR) program, through the new ROFR Preservation Fund and through an expanded ROFR developer roster.
- Strengthen support of and enhance affordable homeownership through the down payment closing cost assistance and rehabilitation programs.
- Strengthen the impact of the CDBG program and advance the implementation of the U.S. Department Housing and Urban Development (HUD) Section 108 loan program to pursue physical and economic revitalization projects.

Budget Concerns/Challenges:

- As of March 13, 2024, there were \$10,152,957,93 undisbursed grant funds (not including program income). To meet the timeliness test, the Department must expend \$2,215,391 by May 2, 2024. Pursuant to 24 Code of Federal Regulations (CFR) 570.902, undisbursed grant funds should be no more than 1.5 times the grant amount. With the expected shortfall of meeting the timeliness test, the Department could be at risk of having funds recaptured.
- The State’s DHCD backlog is delaying the County’s affordable housing projects; DHCD is currently working with the State of Maryland to monitor the progress of several priority projects that have been approved by the County Council.
- Nonresponsive ERAP applicants and landlord’s unwillingness to participate in ERAP.
- The lack of affordable single-family inventory hinders increasing homeownerships through the Pathways to Purchase Program.