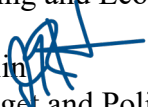




April 17, 2025

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 2026 Budget Review

Budget Overview – DHCD (Including Housing Authority)

The FY 2026 Proposed Budget for the Department of Housing and Community Development (“DHCD” or the “Department”) is \$145,982,900, an increase of \$3,315,900, or 2.3%, over the FY 2025 Approved Budget. This is mainly due to mandated salary requirements and the addition of two new grant programs. \$111,658,500 is proposed for the Housing Authority, which will not be covered in this report.

Budget Comparison – All Funds

Actual Fiscal Year 2024 to Proposed Fiscal Year 2026

Fund	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	% Change - Est vs App	FY 2026 Proposed	\$ Change	% Change
General Fund	\$ 5,595,300	\$ 5,687,700	\$ 5,483,200	-3.6%	\$ 3,661,300	\$ (2,026,400)	-35.6%
Grants	136,474,606	108,861,000	132,408,000	21.6%	122,153,600	13,292,600	12.2%
Special Revenue Funds	2,354,562	28,118,300	11,522,000	-59.0%	20,168,000	(7,950,300)	-28.3%
Total	\$ 144,424,468	\$ 142,667,000	\$ 149,413,200	4.7%	\$ 145,982,900	\$ 3,315,900	2.3%

- The Department reports that the proposed FY 2026 General Fund is \$3,661,300, a \$2,026,400 or -35.6% decrease. The proposed Grant Fund is \$122,153,600, a \$13,292,600 or 12.2% increase. The proposed Special Revenue Fund is \$20,168,000, a \$7,950,300 or -28.3% decrease.

Authorized Staffing Count – All Funds

	FY 2025 Approved	FY 2026 Proposed	Change Amount	% Change
General Fund	29	19	-10	-34.5%
Grant Funds	87	84	-3	-3.4%
Special Revenue Fund	3	5	2	66.7%
Total	119	108	-11	-9.2%

- The Department has an attrition rate of 6.7%. There are no discernable key factors contributing to the current attrition levels.
- There are currently five (5) vacancies. Two (2) General Fund positions, two (2) Grant Fund positions, and one (1) Special Revenue Fund position.
- Two (2) Grant Fund positions are unfunded; this includes Community Developer 1G positions.
- The reduction of ten (10) positions is due to them being transferred to the Redevelopment Authority as established by CB-099-2024.

Budget Comparison – General Fund

Actual Fiscal Year 2024 to Proposed Fiscal Year 2026 – General Fund

Category	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
Compensation	\$ 3,198,781	\$ 3,634,400	\$ 3,430,700	\$ 2,636,200	\$ (998,200)	-27.5%
Fringe Benefits	917,265	1,163,100	1,065,200	817,200	(345,900)	-29.7%
Operating Expenses	1,479,254	890,200	987,300	207,900	(682,300)	-76.6%
Total	\$ 5,595,300	\$ 5,687,700	\$ 5,483,200	\$ 3,661,300	\$ (2,026,400)	-35.6%

- For FY 2026, \$1,363,100 is proposed for the Administration Division, a decrease of \$270,300 or -16.5% below the FY 2025 Approved Budget.
- For FY 2026, \$2,298,200 is proposed for the Housing and Community Development Division, an increase of \$228,700 or 11.1% above the FY 2025 Approved Budget.
- For FY 2026, the Redevelopment Division will be transferred to the Redevelopment Authority, reducing \$1,984,800 from the FY 2025 Approved Budget.

Authorized Staffing Count – General Fund

	FY 2025	Approved	FY 2026 Proposed	Change Amount	% Change
Full-Time	29		19	-10	-34.5%
Part-Time	0		0	0	0.0%
Total	29		19	-10	-34.5%

- In FY 2024, the department accumulated \$306,519 in general fund salary lapse. This lapse was used for consultant services on the Rent Stabilization study, training, and staff development.
- For FY 2025, DHCD anticipates a salary lapse of \$203,700.
- Current vacancies are not impacting operations, as consultants have effectively addressed the workload.

Staffing Changes and Compensation

- FY 2026 General Fund compensation is proposed at \$2,636,200, a decrease of \$998,200, or -27.5% below the FY 2025 Approved Budget. The decrease is due to 10 positions transferring to the Redevelopment Authority.

Fringe Benefits

- FY 2026 fringe benefits are proposed at \$817,200, a decrease of \$345,900, or -29.7%, below the FY 2025 Approved Budget due to a change in fringe benefit rates from 32% to 21% to align with projected healthcare and pension costs as well as the transfer of positions to the Redevelopment Authority.

Operating Expenses

- FY 2026, the proposed operating expenses are \$207,900, a \$682,300, or -76.6%, a decrease from the FY 2025 budget. This is primarily due to the proportional allocation of the OIT technology charge between the General Fund and Housing Investment Trust Fund and the removal of the Redevelopment Authority operating grant.

Budget Comparison – Grant Fund

- FY 2026 proposed Grant Funds are \$10,495,100. This is an increase of \$516,600, or 5.2%, from the FY 2025 Approved Budget. This increase is driven by the addition of the Pathways to Removing Obstacles to Housing (PRO Housing) and Housing Affordability Planning Program (HAPP).
- Grant programs for FY 2026 include Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), Home Investment Partnership (HOME), Pathways to

Removing Obstacles to Housing (PRO Housing), Housing Affordability Planning Program (HAPP), Hearth Emergency Solutions Grant (HESG), National Mortgage Settlement, Neighborhood Conservation Initiative (NCI), Neighborhood Stabilization Program (NCI), and the Neighborhood Stabilization Program (NSP).

Actual Fiscal Year 2024 to Proposed Fiscal Year 2026 – Grants

Category	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
Compensation	\$ 1,629,350	\$ 910,000	\$ 1,465,000	\$ 1,087,100	\$ 177,100	19.5%
Fringe Benefits	361,139	318,500	351,700	360,800	42,300	13.3%
Operating Expenses	23,679,252	8,750,000	18,402,700	9,047,200	297,200	3.4%
Total	\$ 25,669,741	\$ 9,978,500	\$ 20,219,400	\$ 10,495,100	\$ 516,600	5.2%

Authorized Staffing Count – Grant Fund

	FY 2025 Approved	FY 2026 Proposed	Change Amount	% Change
Full-Time	10	8	-2	-20.0%
Limited Term	3	3	0	0.0%
Total	13	11	-2	-15.4%

Staffing Changes and Compensation

- FY 2026 Grant Fund compensation is proposed at \$1,087,100, which is \$177,100, or 19.5%, above the FY 2025 Approved Budget. This increase is due to the addition of two programs, PRO Housing and HAPP.
- FY 2026 Grant Fund includes a staffing count of eight (8) full-time and three (3) limited-term positions.
- Position changes include transferring two (2) full-time positions to the Redevelopment Authority.

Fringe Benefits

- The FY 2026 proposed fringe benefit expenditures are \$360,800, an increase of \$42,300, or 13.3%, above the FY 2025 Approved Budget.

Operating Expenses

- FY 2026 proposed operating expenses are \$9,047,200, an increase of \$297,200, or 3.4%, above the FY 2025 Approved Budget.

Highlights

- The Emergency Rental Assistance Program distributed \$5,506,749 ERAP funds to 681 families in FY 2025. Thus far, the program has disbursed \$119,030,013 among 12,120 families. As of April 9, 2025, the current balance is \$2.5 million. Per DHCD, most of these funds are already allocated, with \$2 million tied to applications currently under quality control review before payment processing.
- Under the implementation of the Department of Social Services, Emergency Solution Grants (ESG), \$464,232.84 of DHCD ESG funds were used to engage 14 unhoused individuals, 517 shelter residents and provide emergency rental assistance to 169 individuals experiencing homelessness and at risk of homelessness.
- Completed construction of four (4) affordable housing developments, which included:
 - Sovern West Hyattsville Metro, District 2
 - Atworth College Park Metro, District 3
 - Residences at Springbrook, District 9
 - Glenarden Phase 3-4%, District 5
- Funded one (1) affordable housing project that is currently under construction:
 - The Cassidy
- To date, the Right of First Refusal (ROFR) Program has preserved 1,887 naturally occurring affordable housing units and will preserve approximately 488 units in FY 2026.
- Obtained funds from the Council of Governments (COG) to conduct an Inclusionary Zoning (IZ) Feasibility Study along the Blue/Silver, Purple, and Green Line Metro corridors. This is to determine whether the existing market can support the implementation of an IZ policy, including the impact of construction and development of new affordable and market-rate housing. This will begin this fiscal year and conclude in FY 2026.
- Secured funding for PRO Housing to expand affordable housing preservation efforts through the ROFR program to better understand the pipeline of projects that are not triggering ROFR notice requirements. This enables a rapid-response approach to be successful with properties prime for redevelopment and renovation.
- Upcoming changes are anticipated for the Pathway to Purchase (P2P) program, which DHCD will operate entirely in the future. Maximum loan amounts will increase from \$25,000 to \$50,000, and the loan term will be extended to a 20-year deferral/forgivable term.

Grant Funds by Division

Fiscal Year 2026 Department of Housing and Community Development Grants by Division						
GRANTS	FY 2024 Actual	FY 2025 Budgeted	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
<u>Community Planning & Development Division</u>						
Community Development Block Grant (CDBG)	\$ 6,555,517	\$ 5,613,600	\$ 5,613,600	\$ 5,613,600	\$ -	0.0%
CDBG: Single Family Rehabilitation Loan Program	248,315	465,900	493,600	533,200	\$ 67,300	14.4%
Hearth Emergency Solutions Grant (HESG)	363,566	465,100	465,100	465,100	\$ -	0.0%
MD Emergency Assistance 2	7,260,438	-	5,807,900	-	-	-
HOME American Rescue Plan Act	45,000	-	-	-	-	-
CRF Emergency Rental Assistance	22,064	-	-	-	-	-
MD Emergency Assistance 1	46,970	-	-	-	-	-
CRF Emergency Assistance 2	1,332,770	-	4,347,400	-	-	-
CDBG CARES CV-1	2,316,265	-	-	-	-	-
CDBG CARES CV-2	373,251	-	-	-	-	-
NED Central Ave/Blue Line Corridor	234,218	-	-	-	-	-
PGC Right of First Refusal	4,260,000	-	-	-	-	-
Local Assistance and Tribal Consistency (LATCF) Fund	100,000	-	-	-	-	-
Pathways to Removing Obstacles to Housing (PRO Housing)	-	-	-	300,000	\$ 300,000	-
Housing Affordability Planning Program (HAPP)	-	-	-	50,000	\$ 50,000	-
Maryland National Mortgage Settlement Program (MDNMS) Program Income	-	139,600	139,600	262,900	\$ 123,300	88.3%
Neighborhood Conservation Initiative Program Income (NCI)	-	25,600	25,600	4,200	\$ (21,400)	-83.6%
Neighborhood Stabilization Program (NSP) Program Income	-	72,100	74,400	81,000	\$ 8,900	12.3%
Subtotal	\$ 23,158,374	\$ 6,781,900	\$ 16,967,200	\$ 7,310,000	\$ 528,100	7.8%
<u>Housing Development Division</u>						
Home Investment Partnership Program (HOME)	\$ 2,132,796	\$ 2,187,900	\$ 2,215,500	\$ 2,187,900	\$ -	0.0%
HOME Loan Program Income	378,471	1,008,700	1,036,700	997,200	(11,500)	-1.1%
Subtotal	\$ 2,511,267	\$ 3,196,600	\$ 3,252,200	\$ 3,185,100	\$ (11,500)	-0.4%
DHCD Total Grants- Outside Sources	\$ 25,669,641	\$ 9,978,500	\$ 20,219,400	\$ 10,495,100	\$ 516,600	5.2%
Transfer from General Fund - County Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Total Grant Expenditures	\$ 25,669,641	\$ 9,978,500	\$ 20,219,400	\$ 10,495,100	\$ 516,600	5.2%

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 to address the County's affordable housing challenge. As amended, the Fund supports the Workforce Housing Gap Financing and the Down Payment and Closing Cost Assistance Programs.

Actual Fiscal Year 2024 to Fiscal Year 2026 Proposed – Housing Investment Trust Fund

Category	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
Compensation	\$ 265,926	\$ 317,600	\$ 415,500	\$ 560,500	\$ 242,900	76.5%
Fringe Benefits	98,919	100,700	177,200	238,700	138,000	137.0%
Operating Expenses	1,989,717	27,700,000	10,929,300	19,368,800	(8,331,200)	-30.1%
Total	\$ 2,354,562	\$ 28,118,300	\$ 11,522,000	\$ 20,168,000	\$ (7,950,300)	-28.3%

Authorized Staffing Count

	FY 2025 Approved	FY 2026 Proposed	Change Amount	% Change
Full-Time	3	5	2	0.0%
Limited Term	1	0	-1	0.0%
Total	4	5	1	25.0%

- The proposed FY 2026 budget for the Housing Investment Trust Fund (HITF) is \$20,168,000, a decrease of \$7,950,300, or -28.3% below the FY 2025 Approved Budget. This is primarily due to the reduction of workforce housing gap financing projects, which is based on a market trend of high interest rates and projects staying in the pipeline longer than anticipated, leading to a reappropriation of committed funds.
- The appropriated fund balance decreased by \$7,450,300, or -42.7%, below the FY 2025 Approved Budget.
- FY 2026 HITF Fund compensation is proposed at \$560,500, \$242,900 or 76.5%, above the FY 2025 Approved Budget. This includes five (5) full-time positions. This is due to transferring two (2) positions from the Grant Fund to the HITF and salary adjustments.
- FY 2026 HITF Fund fringe benefits are proposed at \$238,700, which is \$138,000, or 137%, above the FY 2024 Approved Budget. This increase is due to anticipated costs and the fringe benefit rate changing from 31.7% to 42.6%.
- There is currently one (1) vacancy in the HITF fund: the Community Developer 4A position, which will be filled in early FY 2026.
- For Calendar Year 2024, nine (9) projects were in the LIHTC Application phase with a commitment of funds from the HITF, and six (6) projects were processing towards closing.

Housing Investment Trust Fund Development Projects

Projects DHCD Has Provided Support Letters to Include in the Maryland DHCD LIHTC Program:

Project Name	Council District	Number of Units	Number of Affordable Units	HITF	Status
Flats at Glenridge	3	245	245	\$2,500,000	LIHTC Application
The Bedford	7	175	175	\$3,000,000	LIHTC Application
Residences at Silver Hill East (Rehab)	7	90	90	\$2,500,000	LIHTC Application
Residences at Silver Hill West (Rehab)	7	124	124	\$2,500,000	LIHTC Application
New Carrollton Phase I	5	112	112	\$2,000,000	LIHTC Application
New Carrollton Phase II	5	102	102	\$2,500,000	LIHTC Application
New Carrollton Phase III	5	102	102	\$2,500,000	LIHTC Application
Silver Hill 4%	7	150	150	\$3,000,000	LIHTC Application
Silver Hill 9%	7	50	50	\$2,800,000	LIHTC Application
Total		1150	1150	\$23,300,000	

Projects Progressing Towards Closing:

Project Name	Council District	Number of Units	Number of Affordable Units	HITF
210 on the Park	7	158	123	\$3,000,000
Cottage City Towers	5	100	100	\$2,500,000
Addison Park Metro	7	293	293	\$3,000,000
Hamlet Woods	5	59	59	\$2,500,000
The Highlands	5	138	138	\$2,500,000
Park Place at Addison Road Metro	7	193	193	\$3,500,000
Total		941	906	\$17,000,000

DHCD – FY 2026 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 notice of funding availability for the Home Investment Partnership Program, the HOME American Rescue Plan program, the Housing Investment Trust Fund (HITF), and the payment in lieu of taxes.
- 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 an expanded ROFR developer roster.
- Strengthen support of and enhance affordable homeownership through the down payment closing cost assistance and rehabilitation programs, as well as the creation of affordable homes for sale.

- Strengthen the impact of the CDBG program and advance the implementation of the U.S. Department of Housing and Urban Development (HUD) Section 108 loan program to pursue physical and economic revitalization projects.