



April 20, 2023

MEMORANDUM

TO: Jolene Ivey, Chair
Planning, Housing and Economic Development (PHED) Committee

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye,
Budget and Policy Analyst

RE: Department of Housing and Community Development
Fiscal Year 2024 Budget Review

Budget Overview – DHCD (Including Housing Authority)

The FY 2023 Proposed Budget for the Department of Housing and Community Development (“DHCD” or the “Department”) is, \$130,008,900 a decrease of \$13,638,900 or -9.5%, over the FY 2023 Approved Budget. This is mainly due to the reduction of the Maryland Right of First Refusal Program grant (\$10,000,000).

Budget Comparison – All Funds

Actual Fiscal Year 2022 to Proposed Fiscal Year 2024

Fund	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	% Change - Est vs App	FY 2024 Proposed	\$ Change	% Change
General Fund	\$ 4,908,861	\$ 5,274,300	\$ 5,254,500	-0.4%	\$ 5,851,500	\$ 577,200	10.9%
Grants	175,198,794	116,334,000	134,355,700	15.5%	108,491,500	(7,842,500)	-6.7%
Special Revenue Funds	1,467,716	22,039,500	8,412,400	-61.8%	15,665,900	(6,373,600)	-28.9%
Total	\$ 181,575,371	\$ 143,647,800	\$ 148,022,600	3.0%	\$ 130,008,900	\$ (13,638,900)	-9.5%

- The Department reports FY 2024 proposed General Fund is \$5,851,500, a \$577,200 or 10.9% increase. The proposed Grants Fund is \$108,491,500. The proposed Special Revenue Fund is \$15,665,900.

Authorized Staffing Count – All Funds¹

	FY 2023 Approved	FY 2024 Proposed	Change Amount	% Change
General Fund	28	29	1	3.6%
Grant Funds	89	89	0	0.0%
Special Revenue Fund	3	3	0	0.0%
Total	120	121	1	0.8%

- The Department has an attrition rate of 4%. 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 three (3), Grant Fund two (2), Special Revenue Fund two (2).

Budget Comparison – General Fund

Actual Fiscal Year 2022 to Proposed Fiscal Year 2024 – General Fund

Category	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	FY 2024 Proposed	\$ Change	% Change
Compensation	\$ 2,741,177	\$ 3,162,400	\$ 2,983,700	\$ 3,505,300	\$ 342,900	10.8%
Fringe Benefits	804,882	1,065,300	894,200	1,184,700	119,400	11.2%
Operating Expenses	1,362,802	1,046,600	1,376,600	1,161,500	114,900	11.0%
Total	\$ 4,908,861	\$ 5,274,300	\$ 5,254,500	\$ 5,851,500	\$ 577,200	10.9%

- For FY 2024, \$1,617,900 is proposed for the Administration Division, an increase of \$361,200 or 28.7% over the FY 2023 budget.
- For FY 2024, \$2,498,700 is proposed for the Housing and Community Development Division, an increase of \$82,000 or 3.5% over the FY 2023 budget.
- For FY 2024, \$1,775,400 is proposed for the Redevelopment Division, an increase of \$134,000 or 8.2% over the FY 2024 budget.

Authorized Staffing Count – General Fund

	FY 2023 Approved	FY 2024 Proposed	Change Amount	% Change
Full-Time	28	29	1	3.6%
Part-Time	0	0	0	0.0%
Total	28	29	1	3.6%

¹ The DHCD staffing complement includes nine (9) full-time staff assigned to the Redevelopment Authority and 75 full time staff and one (1) limited term grant funded position.

Staffing Changes and Compensation

- FY 2024 General Fund compensation is proposed at \$3,505,300, which is an increase of \$342,900, or 10.8%, over the FY 2023 Approved Budget. The increase is due largely to the annualization of merit increases and funding for vacant positions, \$238,400.
- FY 2024 General Fund includes a staffing count of 29, with one (1) new position proposed. There are currently three (3) vacancies including two (2) Administrative Specialist and one (1) Community Developer.
- The Administrative Specialist and Community Developer Positions are most affected by attrition. \$38,900 is funded for anticipated attrition.

Fringe Benefits

- FY 2024 proposed fringe benefit expenditures increase 11.2%, or \$119,400, over the FY 2023 estimated level due to a change in fringe benefit rates from 33.7% to 33.8% 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 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Proposed
Compensation	\$2,338,917	\$2,853,178	\$2,741,177	\$2,983,700	\$3,505,300
Fringe Benefit Expenditures	\$744,810	\$853,980	\$804,882	\$894,200	\$1,184,700
As a % of Compensation	31.8%	29.9%	29.4%	30.0%	33.8%

Operating Expenses

- FY 2024 proposed operating expenses are \$1,161,500, a \$114,900, or 11% over the FY 2023 budget. This is due to the cost of consulting contracts, including contracts for the County's Consolidated Plan, for FY 2026-2030, HUD programs, the Affordable Housing Public Awareness Campaign and Monitoring Dashboard.

Budget Comparison – Grant Fund

- FY 2024 proposed grant funds are \$10,074,700. This is a decrease of \$9,917,000 or 49.6% under FY 2023 levels. This decrease is due to the removal of the Maryland State Right of First Refusal grant.
- Grant programs for FY 2024 include, Community Development Block Grant (CDBG), Hearth Emergency Solutions Grant (HESG), Home Investment Partnership (HOME)

- Program income for FY 2024 includes HOME Loan, Maryland National Mortgage Settlement (MDNSMS), Neighborhood Conservation Initiative (NCI), Neighborhood Stabilization Program (NCI), Home Investment Partnership (HOME), and the Neighborhood Stabilization Program (NSP).

Actual Fiscal Year 2022 to Proposed Fiscal Year 2024 – Grants

Category	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	FY 2024 Proposed	\$ Change	% Change
Compensation	\$ 2,077,257	\$ 1,469,900	\$ 1,594,500	\$ 1,089,000	\$ (380,900)	-25.9%
Fringe Benefits	312,968	316,000	210,500	289,200	(26,800)	-8.5%
Operating Expenses	76,669,359	18,205,800	34,741,400	8,696,500	(9,509,300)	-52.2%
Total	\$ 79,059,584	\$ 19,991,700	\$ 36,546,400	\$ 10,074,700	\$ (9,917,000)	-49.6%

Authorized Staffing Count – Grant Fund

	FY 2023 Approved	FY 2024 Proposed	Change Amount	% Change
Full-Time	11	10	-1	-9.1%
Limited Term	8	3	-5	-62.5%
Total	19	13	-6	-31.6%

Staffing Changes and Compensation

- FY 2024 Grant Fund compensation is proposed at \$1,089,000, which is \$380,900 or 25.9% below the FY 2023 Approved Budget. The decrease is due largely to the decrease in positions.
- Positions decreased include three limited-term positions from the community planning division that were no longer needed, and two limited-term positions from the redevelopment division. One position was allocated to the General Fund.
- FY 2024 General Fund includes a staffing count of ten (10) full time and three (3) limited term positions.
- Staffing capacity has been increased to manage CDBG activities and to meet the HUD timeliness test.

Fringe Benefits

- FY 2024 proposed fringe benefit expenditures are \$289,200 which is a decrease of \$26,800 or 8.5% below the FY 2023 approved budget.

Operating Expenses

- FY 2024 proposed operating expenses are \$8,696,500, which is a decrease of \$9,509,300 or 52.2% below the FY 2023 approved budget. This is primarily due to the removal of the Maryland Right of First Refusal grant

Highlights

- The removal of two limited-term positions from the redevelopment division within the down payment assistance program is due to a shift in priorities from the down payment assistance program with HOME funds to prioritizing the Workforce Housing Gap Financing program. The Department's goal for the Workforce Housing Gap Financing program is to assure there is quality housing available for people of all economic backgrounds as prices escalate.
- The Maryland Right of Refusal grant has been successful thus far with the first loan from the fund officially closed in FY 2023.
- To meet timeliness tests in FY 2023, the Department has implemented bi-weekly meetings with recipients, reprogrammed funds, and increased technical assistance.
- Currently \$1,140,000 of funding needs to be reprogrammed due not the subrecipient not having the compacity to commence projects
- The Department has expended the remaining balance of FY 2020 ESG funds \$159,987.81, and \$253,905.14 of the FY 2021 funds, and will expend the remaining balance of the FY 21 funds, \$188,026.86 by the HUD deadline.
- In FY 2023, the ESG program rapidly rehoused 15 homeless individuals and 20 at-risk homeless individuals.
- In FY 2023, the HCDC awarded 33 sub recipients with CDBG funds.
- HOME funding was provided to five (5) new affordable housing development projects that have started or will start in FY 2023. Projects include:
 - Woodyard Station Senior Apartments (112 Senior Units);
 - Homes at Oxon Hill (163 Senior Units, 147 of which are affordable);
 - Residences at Springbrook (100 Senior Units); and
 - Fairmount Heights Net Zero Homes (6 homes to low-moderate income households).
- The state of Maryland conducted two (2) audits and one (1) programming monitoring of Emergency Rental Assistance Program (ERAP) and had no findings.

Grant Funds by Division

Fiscal Year 2023 Department of Housing and Community Development Grants by Division						
GRANTS	FY 2022 Actual	FY 2023 Budgeted	FY 2023 Estimated	FY 2024 Proposed	\$ Change	% Change
<u>Community Planning & Development Division</u>						
Community Development Block Grant (CDBG)	\$ 5,900,126	\$ 5,227,000	\$ 4,716,100	\$ 4,853,500	\$ (373,500)	-7.1%
CDBG: Single Family Rehabilitation Loan Program		470,000	941,700	470,000	-	0.0%
Emergency Solutions Grant (ESG)	448,305	441,900	437,700	437,700	(4,200)	-1.0%
National Capital Economic Development - Central Avenue	238,801	-			-	0.0%
National Capital Economic Development - Suitland Façade	25,661	-			-	0.0%
Lincoln Institute -Healthy Communities	62,563	-		-		0.0%
Fy 2022 Home American Rescue Plan Act			7,592,100			0.0%
FY21 Covid Relief Fund Emergency Rental Assistance	9,684,632		1,911,600			
FY20 Covid Aid Relief and Economic Security Act (CARES)	5,135,674					
FY21 Maryland Emergency Rental Assistance 1	35,382,847					
FY21 Covid Relief Fund Emergency Rental Assistance 2	16,303,092		10,000,000			
FY20 Cares CDBG CV	1,231,311					
FY22 Maryland Emergency Rental Assistance 2	1,660,264		6,500,000			
Maryland Right of First Refusal		10,000,000		-	10,000,000	-100%
Maryland National Mortgage Settlement Program Income		242,400	242,400	242,400		
Neighborhood Conservation Initiative Program Income		25,600	25,600	25,600		
Neighborhood Stabilization Program Income		64,600	64,600	64,600		
Subtotal	\$ 76,073,276	\$ 16,471,500	\$ 32,431,800	\$ 6,093,800	\$ (10,377,700)	-63.0%
<u>Housing Development Division</u>						
Home Investment Partnership Program (HOME)	\$ 1,344,686	\$ 2,094,800	\$ 2,344,900	\$ 2,348,600	\$ 253,800	12.1%
Home Program Income	1,560,862	1,064,100	1,408,400	1,408,400	344,300	32.4%
Subtotal	\$ 2,905,548	\$ 3,158,900	\$ 3,753,300	\$ 3,757,000	\$ 598,100	0.0%
<u>Redevelopment Division</u>						
CDBG: Pathway to Purchase (P2P)	\$ -	\$ 361,300	\$ 361,300	\$ 223,900	(137,400)	-38.0%
Subtotal	\$ -	\$ 361,300	\$ 361,300	\$ 223,900	\$ (137,400)	-38.0%
DHCD Total Grants- Outside Sources	\$ 78,978,824	\$ 19,991,700	\$ 36,546,400	\$ 10,074,700	\$ (9,917,000)	-49.6%
Transfer from General Fund - County Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Total Grant Expenditures	\$ 78,978,824	\$ 19,991,700	\$ 36,546,400	\$ 10,074,700	\$ (9,917,000)	-49.6%

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 2022 to Fiscal Year 2024 Proposed – Housing Investment Trust Fund

Category	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	FY 2024 Proposed	\$ Change	% Change
Compensation	\$ 81,036	\$ 226,600	\$ 85,300	\$ 278,000	\$ 51,400	22.7%
Fringe Benefits	35,487	56,600	26,600	86,900	30,300	53.5%
Operating Expenses	1,351,193	21,756,300	8,300,500	15,301,000	(6,455,300)	-29.7%
Total	\$ 1,467,716	\$ 22,039,500	\$ 8,412,400	\$ 15,665,900	\$ (6,373,600)	-28.9%

Authorized Staffing Count

	FY 2023 Approved	FY 2024 Proposed	Change Amount	% Change
Full-Time	2	2	0	0.0%
Limited Term	1	1	0	0.0%
Total	3	3	0	0.0%

- The proposed budget for FY 2024 for the Housing Investment Trust Fund (HITF) is \$15,665,900 a decrease of \$6,373,600 or 29.7% from the approved FY 2023 budget. This is primarily due to a reduction in the Workforce Housing GAP Financing program.
- FY 2024 HITF Fund compensation is proposed at \$278,000, which is \$51,400 or 22.7% above the FY 2023 approved Budget. The increase is due to mandated salary requirements.
- FY 2024 HITF Fund fringe benefits are proposed at \$86,900, which is \$30,300 or 53.5% above the FY 2023 approved budget. This increase is due to the fringe benefit rate change from 25% to 31.3%.
- There are currently two vacancies in the HITF fund. Vacancies include Administrative Aid, Limited Term one (1), and an Administrative Assistant 4G one (1).
- The Department has approved a HITF allocation to affordable housing development preservation projects in the amount of \$11,150,00. There is \$6,250,000 remaining to be disbursed. To approve the commitment of \$17,500,000 the department plans to present six (6) affordable housing projects to the Council.
- Funding awards for HITF funding will be announced, on June 12, 2023, determined through the Notice of Funding Availability process.
- In FY 2023, HITF funds were allocated to the Faith-Based Development Initiative (\$385,000).
- In FY 2024, HITF funds will be allocated to the Homeownership Preservation Program II (HOPP II) (\$750,000).

Housing Investment Trust Fund Development Projects

- The HITF currently has four projects under construction. There are two projects progressing toward closing and two projects that have been recently completed.

Projects Under Construction:

Project Name	Target Population	Type	Number of Units	Number of Affordable Units	HITF
Atworth College Park Metro	Multifamily	New Construction	451	451	\$200,000
Glenarden Phase 3	Multifamily	New Construction	114	94	\$3,000,000
Residences at Springbrook	Senior	New Construction	90	90	\$750,000
Sovern West Hyattsville Metro	Multifamily	New Construction	293	147	\$200,000
		Totals	948	782	\$4,150,000

Projects approved by Council in FY 2022:

Project Name	Target Population	Type	Number of Units	Number of Affordable Units	HITF
Villas at Langley	Multifamily	Preservation	590	443	\$2,000,000
Willows at Upper Marlboro	Multifamily	New Construction	60	51	\$2,500,000
		Totals	650	494	\$4,500,000

Recently Completed Projects:

Project Name	Target Population	Type	Number of Units	Number of Affordable Units	HITF
Townhomes at Peerless	Multifamily/Market	New Construction	62	47	\$1,500,000
Hamilton Manor	Family	ROFR/Rehab	245	184	\$1,000,000
		Totals	307	231	\$2,500,000

DHCD – FY 2024 Strategic Focus and Initiatives:

- Implementing Pathway 2 Purchase recommendations from the comprehensive review and assessment by updating program guidelines.
- Expanding the Homeownership Preservation Program (HOPP).
- Dispersing ERAP funding fully to qualified tenant facing evictions.
- Implement and adopt HOFA policy and program recommendations through housing production and preservation efforts, in relation to TOD priorities.

Budget Concerns/Challenges:

- As of March 3, 2023, there were \$12,440,852 undisbursed grant funds (not including program income). To meet the timeliness test, the Department must expend \$3,763,93 by May 2, 2023. Pursuant to 24 Code of Federal Regulations (CFR) 570.902, undispersed 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.
- Meeting the goals of ESG programmatically, when rapidly re-housing individuals. The goal was to re-house 1,000 homeless individuals and assist 100 people experiencing homelessness. In FY 2023, 15 homeless individuals were served, and 20 at-risk individuals were served.
- Meeting affordable housing activity goals including:
 - Public Facility and Infrastructure Improvement, which has an FY 2022 expected goal of improving the quality of life/livability for 22,900 individuals, and to date has assisted 3,905; and
 - Public Services, which are expected to improve the quality life/livability of 30,280 individuals and to date has assisted 1,857.
- Implementing strategies from the comprehensive review and assessment of the Pathways 2 Purchase program to meet the housing market, including the amount of down payment assistance given. Increase marketing around the program to get funds into the hands of qualified applicants.