

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1240

(Delegate Lafferty, *et al.*)

Environment and Transportation

Education, Health, and Environmental Affairs

Assisted Housing Preservation Act - Assisted Projects, Protected Actions, and
 Duties of the Department of Housing and Community Development

This bill applies the Assisted Housing Preservation Act to additional owners and properties. It also requires the Department of Housing and Community Development (DHCD) to (1) establish and maintain a database of specified properties in Maryland that receive federal or State housing subsidies (which must include information regarding expiration dates of any subsidies); (2) establish a mechanism for giving notice one year before a subsidy expires; and (3) establish a plan to preserve units in an assisted project as affordable housing for low-income residents when federal or State subsidies are due to expire. DHCD also must notify the Office of the Attorney General (OAG) of specified violations. Finally, DHCD must convene a meeting of specified stakeholders by December 31, 2018, to assist in creating the required preservation plan.

Fiscal Summary

State Effect: General fund expenditures increase by \$93,000 in FY 2019 for additional personnel and for one-time contractual costs related to the database. Future years reflect annualization and the termination of one-time expenses. Revenues are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	93,000	75,200	77,400	80,200	83,100
Net Effect	(\$93,000)	(\$75,200)	(\$77,400)	(\$80,200)	(\$83,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to materially affect local finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill expands the application of the Assisted Housing Preservation Act to an owner of an assisted project who takes or intends to take the following protected actions: (1) the payment in full *as of the maturity date* of specified mortgage financing; and (2) the termination or expiration of a State subsidy received in relation to an assisted project by the assisted project, the owner of the assisted project, or a lender to the assisted project.

The bill also establishes that a property qualifies as an assisted project if the project, the owner of the project, or a lender to the project receives subsidies from the State in relation to the project (including loans, grants, tax credits, or other financial support).

If DHCD has evidence of a violation of the Assisted Housing Preservation Act, it must notify the Consumer Protection Division of OAG.

Current Law: An assisted project is a building or buildings under common ownership with 10 or more dwelling units that is financed under a specified federal housing program. Owners of assisted projects must provide certain notices prior to taking a protected action. A protected action is a sale, conveyance, transfer, prepayment, termination, failure to renew, or expiration of a specified rental unit. Before a sale or conveyance of an assisted project that qualifies as a protected action, the owner must offer the right of first purchase to (1) each political subdivision in which the property is located; (2) each local public housing authority; (3) each group that represents tenants in the project and that has registered with DHCD; (4) specified low-income housing developers; and (5) any other specified person that has experience in the ownership or operation of low-income housing projects.

If inhabited, these rental units are known as assisted households. An assisted household is given special protection as a designated household if at least one individual in the household is (1) a minor or (2) an individual who was a member of the household for at least 12 months before the notice is given and who is at least age 62 on the day the notice of intent to take a protected action is given or who qualifies as disabled under specified federal law. A landlord may not take a protected action that affects a designated household without first offering to extend the lease for at least three years.

The Assisted Housing Preservation Act may be enforced by (1) DHCD; (2) an assisted household in occupancy when the owner delivered or should have delivered a notice of intent; (3) the political subdivision where the assisted project is located; or (4) the public housing authority. A violation of the Act is within the jurisdiction of the Consumer Protection Division within OAG under specified circumstances.

State Expenditures: DHCD advises that, while it has information for projects that have received financing, tax credit allocations, or other funding through the agency, it expects additional costs associated with the initial and recurring collection of information for properties that are *not* assisted through the department. As a result, DHCD requires additional staff to implement the bill's requirements.

General fund expenditures increase by \$92,990 in fiscal 2019, which accounts for the bill's October 1, 2018 effective date. This estimate reflects the cost of hiring one program administrator to perform the functions required by the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. In fiscal 2019 only, DHCD incurs contractual information technology (IT) costs related to the establishment of the database.

Position	1
Salary and Fringe Benefits	\$55,631
Database/IT Costs	32,000
Operating Expenses	<u>5,359</u>
Total FY 2019 State Expenditures	\$92,990

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

It is assumed that the bill does not materially affect OAG's operations or finances.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Housing and Community Development;
Department of Legislative Services

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