

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 79 (Delegate Stewart)  
 Environment and Transportation

**Housing and Community Development - Whole-Home Repairs Act of 2023**

This bill establishes the Whole-Home Repairs Program and related fund within the Department of Housing and Community Development (DHCD). The purpose of the program is to provide funding to local governments or nonprofit agencies to (1) ensure owner-occupied and rental units are free of habitability concerns; (2) improve coordination across home repair programs; and (3) increase retention in workforce development programs.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by an estimated \$8.3 million in FY 2024 to capitalize the fund and administer the program. Out-year general fund expenditures reflect ongoing capitalization and administrative costs. Special fund revenues and expenditures increase by \$8.0 million annually beginning in FY 2024 (reflecting the capitalization of the fund and related spending).

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000
GF Expenditure	\$8,279,600	\$8,337,200	\$8,352,200	\$8,367,700	\$8,387,000
SF Expenditure	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000
Net Effect	(\$8,279,600)	(\$8,337,200)	(\$8,352,200)	(\$8,367,700)	(\$8,387,000)

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

**Local Effect:** Local revenues and expenditures increase to the extent local administering agencies apply for and receive funds, as discussed below.

**Small Business Effect:** Meaningful.

## Analysis

### Bill Summary:

#### *Whole-Home Repairs Fund*

The Whole-Home Repairs Fund is a special, nonlapsing fund with the purpose of providing grants to local administering agencies under the Whole-Home Repairs Program. DHCD must administer the fund, which consists of (1) money appropriated in the State budget to the fund; (2) federal funding received by the State for the purposes of funding the program; and (3) any other money from any other source accepted for the benefit of the fund.

#### *Whole-Home Repairs Program – Select Definitions*

“Affordable” means housing costs do not exceed 30% of a household’s income. “Affordable units” means units where rent is affordable to tenants at or below 60% of the area median income, adjusted for household size, as published and annually updated by the U.S. Department of Housing and Urban Development (HUD).

“Home repairs programs” means federal and State programs, other than the Whole-Home Repairs Program, that provide financial assistance for repairs or improvements to residential property. Home repairs programs include (1) weatherization assistance programs administered as a part of the programs authorized under the federal Low Income Home Energy Assistance Act or the federal Energy Conservation in Existing Buildings Act of 1976; (2) the Community Development Block Grant Program established under the federal Housing and Community Development Act of 1974; (3) the Lead Hazard Reduction Grant Program and the Lead Hazard Reduction Loan Program; (4) the Maryland Housing Rehabilitation Program; and (5) neighborhood revitalization programs established under Title 6 of the Housing and Community Development Article.

“Local administering agency” means a local governmental unit or nonprofit agency responsible for administering home repairs programs within a county or municipal corporation.

#### *Whole-Home Repairs Program – Established*

DHCD must make available an application for local administering agencies to apply for funding under the program, and the application may be accepted electronically.

DHCD must award grants to not more than one local administering agency per county. However, this prohibition must not be construed to prohibit DHCD from awarding (1) more than one grant to a local administering agency that serves multiple counties or

(2) a grant to a local administering agency that serves a municipal corporation, provided that the municipal corporation is not served by another local administering agency.

Eligible uses of the grants by local administering agencies include (1) providing financial assistance (not to exceed \$50,000 per unit) to residential property owners to address habitability concerns, improve energy or water efficiency, and make units accessible for individuals with disabilities; (2) investing in workforce development programs that will connect trainees to jobs through committed employer partnerships related to improving the habitability and performance of residential properties, as specified; and (3) offsetting the costs to the local administering agency of administering the program and other home repairs programs, as specified.

#### *Whole-Home Repairs Program – Grants and Loans*

Financial assistance provided under the program to a homeowner whose household income does not exceed 50% of the area median income *must* be in the form of a grant.

Financial assistance to a small landlord renting affordable units *must* be in the form of a forgivable loan that is recorded against a residential property in a mortgage security. A loan made to a small landlord must be forgiven if (1) the small landlord offered to extend by at least three years the lease of the tenant occupying the unit when the funds were accepted; (2) in the preceding 15 years, the small landlord has corrected any serious violation at the landlord's rental properties within six months after notification of the violation; (3) the small landlord has maintained ownership of the unit for 15 years or more; and (4) for 15 years or more, the annual increase in monthly rent for the unit has not exceeded 3% of the base rent, or the unit has been occupied by a tenant participating in the rental assistance program. A local administering agency must recapture any loan made to a small landlord that has not maintained compliance with the specified conditions.

Whenever possible, local administering agencies must prioritize the use of funds from other home repairs programs for the habitability, energy/water efficiency, and accessibility purposes specified above. Program funds must not supplant existing resources dedicated to home repairs programs, but may be used to support, expand, and enhance home repairs programs.

#### *Reporting*

By September 1, 2024, and annually thereafter, DHCD must report to the General Assembly on (1) the total number of units and the average cost per unit for which a homeowner was assisted under the program; (2) the total number of units and the average cost per unit for which a small landlord was assisted under the program; (3) the total amount of funds invested in addressing habitability concerns, installing energy efficient measures, and

making units accessible for individuals with disabilities; (4) the total number of grant and loan applications that were received, approved, and denied by local administering agencies; (5) a summary of the most common reasons for denial of applications; (6) the income and demographic information for households assisted under the program; (7) the total amount of funds invested to improve coordination across home repairs programs; and (8) the total amount of funds invested in workforce development programs.

DHCD may require local administering agencies awarded grants under the program to submit reports containing information required for the department to comply with the bill's reporting requirements.

### **Current Law:**

#### *Maryland Energy Assistance Program*

The Maryland Energy Assistance Program, administered by the Office of Home Energy Programs within the Department of Human Services, helps the State's vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Benefits include utility and fossil fuel payments, the Utility Service Protection Program, referrals to weatherization services, emergency heating system repairs and replacement, waivers on utility fees, discounts on fuel purchases, and gas arrearage assistance.

#### *Weatherization Assistance Program and EmPOWER Maryland Low Income Energy Efficiency Program*

The Weatherization Assistance Program helps eligible limited-income households through the installation of energy conservation materials to reduce energy consumption and maintenance costs. DHCD is the sole provider of low-income energy efficiency programs in the State. Utilities provide funding to DHCD to support EmPOWER Maryland low-income energy efficiency programs. DHCD operates the programs in a similar manner as the Weatherization Assistance Program; however, funds are limited to the residents of the utilities required to participate in EmPOWER Maryland.

#### *Community Development Block Grant Program*

Administered by HUD, the Community Development Block Grant Program has three broad goals: to benefit low- and moderate-income families; to prevent or eliminate slums and blight; and to meet other urgent community development needs. Fourteen State jurisdictions (the cities of Annapolis, Baltimore, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury and the counties of Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's) are entitlement communities and

receive annual funding directly from HUD. The rest of the State competes for grant funding administered by DHCD. Projects can address a broad range of development objectives including housing, economic development, infrastructure, and community development.

#### *Lead Hazard Reduction Grant and Lead Hazard Reduction Loan Programs*

Administered by DHCD, the Lead Hazard Reduction Grant and Lead Hazard Reduction Loan programs make grants and loans to the owners of residential properties or child care centers for financing lead hazard reduction activities, especially replacing windows containing lead-based paint on friction surfaces. Generally, DHCD is authorized to make a grant solely to finance a lead hazard reduction activity that is a program that tests innovative or unproven methods of lead hazard reduction or is in a residential property in an area designated by DHCD to meet specified criteria. In addition, DHCD is authorized to make loans to finance lead hazard reduction activities.

#### *Maryland Housing Rehabilitation Program*

The Maryland Housing Rehabilitation Program within DHCD provides financing assistance for the acquisition and rehabilitation of single-family and multifamily rental buildings. The purpose of the program is to preserve and improve single-family properties and one-to four-unit rental properties. The program is designed to bring these properties up to applicable building codes and standards. DHCD is authorized to make program loans for housing on terms that DHCD considers necessary to make the housing affordable to families of limited income, as specified.

#### *Accessible Homes for Senior Homeowners Grant Program*

Within the Maryland Housing Rehabilitation Program, the Accessible Homes for Senior Homeowners Grant Program offers grants to finance an accessibility-related renovation or repair activity for an elderly homeowner. Grants issued under the program may be used in conjunction with other loans for accessible housing for seniors and other specified special loan programs administered by DHCD.

#### *Indoor Plumbing Program*

DHCD administers the Indoor Plumbing Program for the purposes of making loans for rehabilitation projects that provide for adequate indoor plumbing. DHCD is authorized to forgive all or part of a deferred payment loan if (1) the loan is made to a family of limited income that owns and occupies the dwelling and whose income is within a specified income range and (2) the Secretary of Housing and Community Development determines that the family of limited income does not have enough income to repay the principal amount of the loan.

**State Fiscal Effect:** DHCD advises that the program established by the bill is substantially similar to existing programs administered by the department. However, as described above, those programs provide direct assistance to homeowners and renters, whereas the bill requires the new program to make grants to local administering agencies, which in turn provide assistance to homeowners and landlords. Moreover, the bill explicitly states that program funds must not supplant existing resources dedicated to home repairs programs. Therefore, DHCD requires additional resources to meet the bill’s requirements. Accordingly, general fund expenditures increase by \$8.3 million in fiscal 2024 to capitalize the new fund and hire staff to administer the program, as discussed below.

*Capitalizing the Whole-Home Repairs Fund*

General fund expenditures increase by an estimated \$8.0 million annually beginning in fiscal 2024 to capitalize the fund. Special fund revenues to and expenditures from the fund increase correspondingly. This estimate assumes that the level of funding needed for the Whole-Home Repairs Fund is similar to the funding levels of several substantially similar programs administered by DHCD. Further, this analysis assumes that DHCD provides financial assistance equal to the full amount of capitalization funding it receives each year.

*Administrative Expenses*

The bill does not explicitly state that the fund can pay for DHCD’s administrative expenses, so this analysis assumes that additional general funds are needed to cover such costs. Therefore, general fund administrative expenditures increase by \$279,566 in fiscal 2024, which accounts for the bill’s October 1, 2023 effective date. This estimate reflects the cost of hiring one program manager to oversee the program, one administrative assistant to assist the program manager and to complete application intakes and other administrative tasks, and one financial analyst trainee to oversee the accounting-related functions of the program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$257,339
Other Operating Expenses	<u>22,227</u>
<b>FY 2024 DHCD Admin. Expenditures</b>	<b>\$279,566</b>

Future year administrative expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

**Local Fiscal Effect:** To the extent that local governments receive grants from DHCD under the program, local revenues and expenditures increase correspondingly. Local

government revenues further increase to the extent loans provided to small landlords are repaid.

Although some local governments that receive grants from DHCD may need to hire staff to administer the program at the local level, the bill explicitly states that grants awarded to local administering agencies may be used to offset such administrative costs as well as the costs of administering other home repairs programs. To the extent local governments can consolidate staffing with other home repairs programs, local governments benefit.

**Small Business Effect:** Small landlords benefit to the extent they receive loans under the program that enable them to address habitability concerns, improve energy or water efficiency, and make units accessible for individuals with disabilities; this, in turn, may result in an increase in the demand for their units and/or potentially enable them to charge higher rent.

Small businesses involved in home repair activities that are eligible uses of financial assistance awarded under the bill may benefit from an increase in the demand for their services.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 296 (Senator McKay) - Education, Energy, and the Environment.

**Information Source(s):** Baltimore City; Caroline and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Department of Housing and Community Development; Department of Human Services; Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2023  
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Analysis by: Thomas S. Elder

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510