



# Maryland

## Low Income Housing Preservation in 2010

### Low Income Housing Tax Credits (9% Tax Credits)

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In the 2009 QAP, up to 20 points are awarded to applicants with long-term operating subsidies (up from 10 points in 2008), including project based rental subsidies. Applicants requesting tax credits from the 2009 QAP must agree to at least 40 years of low-income occupancy restrictions unless a structured 15 year homeownership program is created and accepted.

For projects in either a qualified census tract or difficult to develop area, 10 points may be awarded under this category for rehabilitation or replacement projects, or 5 points for new construction projects, in neighborhoods that have existing community revitalizations plans.

There is a \$15,000/apartment rehabilitation threshold, but DHCD may waive this if there is a strong need for preservation in the area of the proposal or if affordable apartments will be lost if the property in question is not financed using Department funds.

Maryland has a 30% state basis boost that they will direct toward projects that need additional funding to be financially feasible. This is separate from the 30% boost reserved for QCTs and DDAs.

#### **Allocations (2003-2009)**

*Properties Preserved:* 33

*Apartments Preserved:* 2,374

### Private Activity Bonds with 4% Tax Credits

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#### **Allocations (2003-2009)**

*Properties Preserved:* 49

*Apartments Preserved:* 7,664

*Additional Info:* Maryland has consistently allocated its 4% tax credits towards preservation projects, preserving an average of over 1,000 units annually between 2003 and 2009 with 4% credits.

### Housing Trust Funds

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The Maryland Affordable Housing Trust awards loans or grants of up to \$150,000 to help provide housing for households earning less than 50% of area median income (although preference is given to projects that serve households at or below 30% AMI). The Fund provides deferred payment loans and grants for capital costs of acquiring, constructing, rehabilitating and preserving affordable rental housing. Up to 15% of the funds can be used for capacity and pre-development and the rest is for capital costs, operating and supportive services. One criteria used to select projects is long-term affordability.

From its inception in 1992 through the end of fiscal year 2010, MAHT has received almost \$35 million in revenue with an additional \$1 million General Fund Appropriation added in 2007. Of this, in excess of \$35 million has been awarded. In fiscal year 2010, \$2.2 million in MAHT funds leveraged almost \$42 million in total project and program development costs, a 19:1 ratio.

**Trust Funds (continued)**

Montgomery County

The Housing Initiative Fund in Montgomery County prioritizes the preservation of federally-assisted properties. The fund has preserved the county's entire stock of expiring Section 236 housing (preserving 460 apartments), provided loans to the local housing authority to purchase four 100% project-based Section 8 buildings (407 units) and developed a Memorandum of Agreement with owners of 20% project-based Section 8 properties who were planning to opt-out that resulted in the preservation of 309 apartments in 7 properties. In FY2008 and FY2009, more than 30% of all HIF funds (more than \$28 million) were invested in acquisition and rehabilitation of affordable rental housing.

The county provides tax abatement to bridge gaps between the amount HUD pays in rent and market rate rents, provides bridge loans when HUD rent payments are delayed, reimburses for the cost of market studies and other expenses HUD requires in order to document rent increases, and covers the cost of extraordinary damages to an apartment. The Housing Initiative Fund is administered by the County Department of Housing and Community Affairs and received over \$20 million in 2006, \$34M in 2008 and \$53M in 2009 from a number of sources including a condominium conversion tax, developer approval fees, fees generated by the inclusive housing MPDU program, interest income, and appropriations. Nearly 600 units were preserved in 2006 and 2,000 units were either preserved or added in 2008 and 2009.

**PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).**

**Other Preservation Incentives**

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Maryland Department of Housing and Community Development (DHCD) is participating in the New Issue Bond Program (NIBP) to provide a fixed interest rate in the mid-4% range for rental housing loans for 40 years. The Department was awarded a total of approximately \$92 million of NIBP capacity for multifamily rental development. All loans must be insured and it is expected that mortgage insurance will generally be FHA-GNMA. DHCD will also offer the option of FHA Risk Share credit enhancement. NIBP loans may be combined with other DHCD Resources

As of October 2010, 7 projects had received NIBP financing through 2 financings. In financing these projects, approximately \$36 million of NIBP capacity had been combined with approximately \$30 million of traditional multifamily tax-exempt bonds issues through the Multifamily Bond Program (MBP).

With the support of MacArthur Foundation, DHCD joined with eight county governments to preserve affordable rental housing located in the path of growth brought on by the federal Base Realignment and Closure (BRAC) process, which will bring over 25,000 new households to the region beginning in 2011. In a regional partnership, DHCD is working with eight counties to implement the MD-BRAC Preservation Initiative, which will ensure that rental housing preservation is a key element of the region's response to the challenges and complexities of BRAC-related growth. The Preservation Initiative is composed of five related components: Preservation Loan Fund, Data Analysis and Assessment, Education and Outreach, Rental Preservation Compact and, Green Grant - Rental Housing Preservation Program.

The Maryland Housing Rehabilitation Program -- Multifamily (MHRP - MF) provides gap financing for the acquisition and rehabilitation of multifamily rental residential buildings. The purpose of the Program is to preserve the supply of housing with existing federal, State or local affordability requirements, particularly project-based Section 8 or Rural Development rental assistance. MHRP-MF funding will be used, primarily, for projects which also make use of financing through CDA's Multifamily Bond Program. Other uses will be considered on a case-by-case basis.

The Rental Housing Program provides loans for the development of affordable multifamily housing in priority funding areas. Funds are awarded competitively approximately every eight months in conjunction with federal low-income housing tax credits and HOME funds. Non-profit and for profit developers may apply and both new construction and rehabilitation projects are eligible for financing. Local government support and a contribution are required.

## **Green Multifamily Preservation Initiatives**

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### ***Green Incentives in State Tax Credit Allocation Plan***

Maryland's 2009 QAP provides up to 33 points for environmentally sustainable building practices. These points are acquired through the following subcategories: 2 points are available for being certified by a nationally recognized sustainable development program (including Green Communities) and up to 28 points are available for projects that meet Maryland's Development Quality Base Level Energy Standards and Green Standards which include; green project design, material selection, energy efficiency, healthy environments and site considerations (access to transit).

All rehab projects must submit an Energy Improvement Report.

### ***Other Green Incentives Relevant to Preservation***

MD-BRAC Green Grant promotes energy efficiency in affordable rental housing developments in certain communities affected by the federal Base Realignment and Closure (BRAC) process. In partnership with the Maryland Energy Administration (MEA), the Green Grant reimburses eligible applicants for costs associated with Energy Audits for multi-family rental housing or for LEED accreditation and training. The program is being undertaken as part of the State's efforts to 1) promote awareness of the benefits of energy efficiency and green building concepts and 2) promote rental housing preservation efforts. Reimbursement of up to a maximum of \$10,000 per building for Energy Audits and up to a maximum of \$2,500 per person for LEED training.

The Department of Housing and Community Development administers Maryland's Weatherization Assistance Program. Maryland sets aside a portion of their WAP funds to weatherize multifamily projects. For complete information on MD's weatherization program see: <http://www.waptac.org/grantee-contacts.aspx>.

Through a partnership between DHCD and the Maryland Energy Administration (MEA), the Multifamily Energy Efficiency and Housing Affordability Program (MEEHA) program provides grant funding for affordable multifamily rental housing developments to complete energy audits, energy efficiency improvements, and/or renewable energy improvements. Eligible activities include: HVAC systems, insulation, windows, draft stopping and duct sealing, Energy Star appliances and fixtures, as well as renewable energy generation and water heating equipment. Funded through the American Recovery and Reinvestment Act, all MEEHA grants must be fully expended by April 2012.

Maryland received \$20 million in Energy Efficiency and Conservation Block Grant Program (EECBG) funds to support DHCD's plan: "Investment in Main Street: Energy Efficiency for Economic Growth." This strategy is a holistic, community-based approach to target individual households, multifamily rental properties, and commercial properties for energy efficiency retrofits. Through the multifamily rental component of this initiative, it is estimated that 14 multifamily buildings comprising over 1,400 affordable units will benefit from energy efficiency retrofits through this funding.

In May 2010, Gov. O'Malley signed a bill earmarking \$10 million for the state's Sustainable Communities Tax Credit. The tax credit, which replaces the state's Heritage Structure Rehabilitation Tax Credit, encourages rehabilitation projects around transit lines and those that are tied to the Federal Base Realignment and Closure Plan.

Other incentives include income tax credits for the installation of renewable energy systems, a property tax exemption for solar systems, favorable loans for community energy developments, and a solar energy grant program.

*For additional information on green initiatives, visit [www.aceee.org](http://www.aceee.org) for more on policies related to energy efficiency or [www.dsireusa.org](http://www.dsireusa.org) for programs that may be available to developers to incentivize renewable energy or energy efficiency.*

## **Sustainable Communities & Transit-Oriented Development Incentives**

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The 2009 QAP provides 10 points for projects that contribute to a community revitalization plan and are located in a qualified census tract, difficult to develop area or other officially designated zones.

The 2009 QAP provides 5 points for transit oriented development.