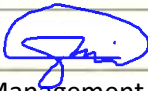



FROM	NAME & TITLE	Robert Cename, Chief 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 21-0097 – Emergency Security Deposit Relief Act		

DATE:

TO

The Honorable President and Members of the City Council
City Hall, Room 400

June 28, 2021

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 21-0097, Emergency Security Deposit Relief Act, the purpose of which is to establish an Emergency Security Deposit Voucher Program to provide families with financial support for an initial security deposit toward permanent housing.

Background

Homelessness and a lack of affordable housing opportunities keep many families in Baltimore from having permanent housing, which has been exacerbated by COVID-19. This legislation would create an Emergency Security Deposit Voucher program run by the Department of Housing and Community Development (DHCD), providing certain households with a one-time payment of up to \$2,000 to be used toward a security deposit. The program would be funded by an annual disbursement from the Affordable Housing Trust Fund (AHTF) and would allow for further funding from the annual Ordinance of Estimates. Households would be eligible for the security deposit assistance if their aggregate gross income does not exceed 60% of the Area Median Income (AMI). The program would run through October 31, 2023.

The Mayor recently announced plans to use \$3.3 million in federal funds to provide rental security deposit assistance. The program will provide eligible residents with up to \$2,000 for security deposit assistance and will run from September 2021 through September 2022. The program requires that renters' income does not exceed 125% of the federal poverty level, that the rental property is registered and licensed with the City, and the signed rental agreement must include the requirement of a security deposit.

Similar programs have been established in response to COVID-19 across the country. Washington, D.C. created an Emergency Rental Assistance Program available for residents earning less than 40% of AMI. The program supports rental and security deposit assistance for District residents. The amount an eligible household can receive is dependent on income and the availability of resources. In addition, in April 2021, Washington, D.C. also announced a new STAY DC program to further assist residents impacted by the pandemic. The District plans to use federal funds issued in response to COVID-19, including the Congressional Appropriation Act and the American Rescue Plan.

Fiscal Impact

The Department of Finance reached out to DHCD to assess costs for implementing this program. The overall cost of the program will be highly dependent on the number of vouchers issued and the availability of funding. Assuming a voucher of \$2,000 is paid out to each household which applies, the costs to implement this program could range from nearly \$1.4 million to \$4.4 million. Included in this estimate is approximately \$375,640 for costs related to personnel, software, and administrative needs.

Total Voucher Program Costs	500 Vouchers	1,000 Vouchers	2,000 Vouchers
Housing Assistance Costs	\$1,000,000	\$2,000,000	\$4,000,000
Program Staff	\$349,540	\$349,540	\$349,540
Software Costs	\$10,100	\$10,100	\$10,100
Administrative Costs	\$16,000	\$16,000	\$16,000
Estimated Program Costs	\$1,375,640	\$2,375,640	\$4,375,640

Based on conversations with DHCD, this estimate includes four new positions, including two temporary employees to process applications and two Social Services Coordinators to conduct program outreach and promotion, as well as the distribution and review of applications. The Social Services Coordinator positions would have an estimated annual cost of \$63,421 each, including salary and other personnel costs, for a total cost of \$253,684 for the term of the program. The temporary employees would cost an estimated \$95,856 for the duration of the program.

The cost estimates include software costs for implementation of the program, including initial setup and connection costs, as well as annual license fees for new users. In addition, the program would require additional resources for the staff, including office supplies, technology, and other IT-related support costs.

Other Considerations

The Department of Finance supports the intent of this legislation, but is concerned about the funding mechanism established in the legislation, as well as the duplicative nature of this program with the recently announced program from the Mayor.

The legislation states that the program may be funded by the AHTF or an appropriation in the annual Ordinance of Estimates. The AHTF, as established in the Charter, authorizes funding for “services to low income households to assist them in obtaining housing and remaining stably housed” and is funded by transfer and recordation taxes on real property valued at or above \$1 million. Due to an unexpectedly strong housing market, Finance has seen an overall increase in transfer and recordation revenues in Fiscal 2021. However, this revenue can be unpredictable as it is dependent on housing market conditions.

The AHTF is overseen by a Commission that develops and approves spending plans on a fiscal year basis based on priorities developed in collaboration with DHCD and other community stakeholders. AHTF requires that all revenue be used to assist households with incomes at or below 50% of the AMI. However, this legislation, as proposed, defines a low-income household as “a family whose aggregate gross income does not exceed 60% of the Area Median Income”. If the AHTF Commission authorizes funds to be utilized for this program, the General Fund would be required to cover the vouchers for households that fall between 50% and 60% of AMI. In addition, if the AHTF is not used to fund this program, the legislation would rely on the General Fund to fully fund the program.

Due to the current fiscal situation and projected budget deficits, the Department of Finance cannot support the use of General Funds for implementation of the Emergency Security Deposit Relief Act. Having to utilize General Funds would result in cuts to other programs. However, the City has received federal funding to address the impacts of COVID-19 for residents, including specific funding focused on housing stability, which could be utilized to support this program rather than the General Fund or the AHTF. In addition, this legislation is duplicative of the recently announced program from the Mayor to provide security deposit support, which will be funded by federal funds.

Conclusion

The City is facing major fiscal concerns and cannot at this time support the implementation of a new program with General Fund dollars should the AHTF be unable to provide funding. In addition, the proposed program is duplicative of the Mayor's recently announced program, funded by federal funds.

For the reasons stated above, the Department of Finance opposes City Council Bill 21-0097.

cc: Henry Raymond
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