



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Acting Housing Commissioner

Date: February 23, 2021

Re: City Council Bill 21-0004 Office to End Homelessness - Establishment, Administration, and Permanent Housing Voucher Program

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 21-0004 for the purpose of establishing the Baltimore City Office to End Homelessness; declaring that the policy of the Mayor and City Council of Baltimore to make homelessness rare, brief, and non-recurring; providing that the Office will be led by an Executive Director appointed by the Mayor and confirmed by the City Council; establishing the duties of the Office; requiring certain reports; establishing the Permanent Housing Voucher Program; providing for certain funding for the Permanent Housing Voucher Program; setting forth the eligibility requirements for the Permanent Housing Voucher Program; requiring that the Office adopt rules and regulations to administer the Permanent Housing Voucher Program; establishing procedures on a family's admission into the Permanent Housing Voucher Program; setting forth certain programmatic functions for the Permanent Housing Voucher Program through tenant-based vouchers and project-based vouchers; providing for the termination of assistance under the Permanent Housing Voucher Program for certain enumerated reasons; providing for hearings for certain terminations and denials of assistance; establishing certain hearing procedures and the conduct of the hearings; repealing City Code Article 1, Subtitle 24 {"Overnight Shelters"} as duplicative; defining certain terms; generally relating to ending homelessness in Baltimore; and providing for a special effective date.

Article I, Section 14 of the City Charter describes the Trust Fund, sources of revenue, administration and oversight, membership and roles and responsibilities of the Commission, income requirements, permitted uses, and affordability periods. The Charter also establishes that the duties of the Commission include making recommendations, advising, and consulting with the Department of Housing and Community Development regarding the establishment of essential policies, rules, and regulations relating to the implementation, **expenditures**, and ongoing operation of the Trust Fund.

The Fund is intended to support both rental and for-sale affordable housing for very-low and low-income households. The Trust Fund requires that all revenue be used to help those with incomes at or below 50 percent of the Area Median Income (AMI) as established by the Department of Housing and Urban Development (HUD) (approximately \$52,000 for a household

of four in 2020) and that at least half of the funds be used to help those with incomes at or below 30 percent of the Area Median Income (approximately \$31,200) for a household of four in 2020.

In 2019, the City established the AHTF Commission composed of various stakeholders from the advocacy community. The Spending Plan was developed collaboratively by DHCD and the Commission and included an extensive community engagement and participation component. DHCD worked closely with the Commission to reach consensus on how to best allocate the available Trust funds, they identified Rent Supplement as a priority and the Commission went on to approve a recommended Spending Plan for what at the time was the estimated total funding.

The spending priorities for Fiscal Years 20-22 were based on the anticipated availability of \$17 Million in Fiscal Year 2020, \$16.5 Million in Fiscal Year 2021, and \$18 Million in Fiscal Year 2022. However, based on less than projected tax revenue in both Fiscal Year 2020 and 2021, the Commission approved a reallocation of funds from \$33.5 million to \$21 million, and to allocate \$2.75M for pandemic related relief. The current AHTF Spending Plan is below, which goes through June 30, 2022 (FY22) and reflects those revisions.

SPENDING PRIORITIES	AMENDED FY20 & FY21	REVISED FY20 & FY21
Community Land trust/Shared Equity	9,250,000	6,250,000
New Construction - Rental Housing	5,000,000	2,000,000
Preservation of Existing Rental Housing	3,130,000	1,706,766
Senior Homeownership Repair & Homeownership Preservation	4,900,000	3,000,000
Choice Neighborhoods	4,000,000	3,000,000
Rent Supplement (3% Annual increase)	3,545,000	1,342,800
Inclusionary Housing	750,000	201,804
Flexible Funds	1,500,000	-
Administrative Costs (5% of total funds)	1,425,000	1,065,862
Pandemic Homelessness Prevention (One-Time Expenditure)	-	2,750,000
Total	33,500,000	21,317,232

If enacted, City Council Bill 21-0004 may be funded by an annual disbursement from the Affordable Housing Trust Fund (AHTF) and the Ordinance of Estimates. The revised Spending Plan; approved by the Commission, identified Rent Supplement as a priority and contains \$1.3 million in such funding - line item Rent Supplement (3% Annual Increase). Spending priorities are established annually through a robust community process; funding to support a Rent Supplement program would be part of this process. In the event funds were made available, any unused or unobligated fund disbursements will revert back to the Affordable Housing Trust Fund on an annual basis.

The legislation also requires that rules and regulations be developed in collaboration with the Affordable Housing Trust Fund Commission and the Baltimore City Continuum of Care program, to ensure consistency of policy and procedure.

DHCD supports the intent of this Bill, however cautions against establishing a Permanent Housing Voucher Program without a **permanent** source of funding. It is worth noting that the primary source of funding, a surcharge on high-value real estate recordation and transfer taxes, is highly volatile by nature and will vary year to year. This unpredictable source of revenue is dependent on housing market conditions. Once you start funding a Voucher Program it's an ongoing commitment, should DHCD & AHTF be unable to provide consistent, annual funding, the program would need to be funded with General Funds. DHCD has concerns about legislating such a program when priorities and needs may change as a result of new leadership, housing market conditions, the availability of affordable housing and other factors. Additionally, the establishment of this program could be at the expense or exclusion of other priorities identified by the Department and the Commission.

DHCD has concerns regarding the Bill because of the volatility of the funding source and the uncertainty of future spending priorities, but looks forward to working with the Administration, the Mayor's Office to End Homelessness and the AHTF Commission to discuss the establishment of a Permanent Housing Voucher Program.

DHCD supports the passage of 21-0004 in concept.

AK/sm

cc: Ms. Natasha Mehu, *Mayor's Office of Government Relations*