



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: June 16, 2021

Re: City Council Bill 21-0097 – Emergency Security Deposit Relief Act

The Department of Housing and Community Development (DHCD) has reviewed City Council Resolution 21-0097 for the purpose of establishing the Emergency Security Deposit Voucher Program; placing a cap on the amount of money the Emergency Security Deposit Voucher Program can give each family for a security deposit; providing for certain funding for the Emergency Security Deposit Voucher Program; setting forth the eligibility requirements for the Emergency Security Deposit Voucher Program; requiring that DHCD adopts rules and regulations to administer the Emergency Security Deposit Voucher Program; establishing procedures on a family's admission into the Emergency Security Deposit Voucher Program; putting certain priorities in place for distribution of security deposit vouchers; requiring the security deposit to be used within a certain time frame; making a family liable for the cost of the security deposit voucher improperly; providing for an appeals process in case of a finding of improper use of the security deposit voucher or denial of a security deposit voucher; defining certain terms; and providing for termination of this subtitle on a certain date.

Source of Program Funding

The legislation identifies the Affordable Housing Trust Fund (AHTF) as one of the possible sources of funding for the Emergency Security Deposit Voucher Program. The responsibilities, sources of revenue, administration and oversight of the AHTF Commission are outlined in Article I, Section 14 of the City Charter. The Commission, in consultation with DHCD, makes recommendations regarding the implementation, operations, and related to the proposed legislation, expenditures of the Trust Fund.

AHTF spending priorities are established annually with extensive community engagement and participation. The current spending plan, developed by the AHTF Commission and in collaboration with DHCD and community advocates, is based on projected revenues of \$16.5 million in Fiscal Year (FY) 2021 and \$18 million in FY 2022. DHCD believes these revenue projections will need to be lowered based on actual revenue collected in recent months. In addition to consideration of possible funding dedicated from the AHTF, the Emergency Security Deposit Voucher Program should be considered for support by an annual appropriation in the ordinance of estimates.



Additionally, the AHTF requires all revenue to be used to help those with incomes at or below 50% of the Area Median Income (AMI) and half of the funds are required to help those with incomes at or below 30% AMI. City Council Bill 21-0097 defines “low-income” households as at or below 60% AMI. Due to AMI restrictions on AHTF funds, additional sources of funding, outside of the AHTF, would need to be used for households in the 50% and 60% AMI subset. This could present a challenge when trying to equitably distribute vouchers based on different funding streams.

Program Implementation

The legislation requires DHCD to implement, maintain, and regulate a voucher program in collaboration with the AHTF and the Baltimore City Continuum of Care. The department will be required to adopt rules and regulations to carry out the program and any change or addition to the rules and regulations will require a public hearing. Families in need of security deposit assistance could apply to this program and admission would be based on availability of funds. Priority for admission will be based on median household income in the desired housing area, with areas of lowest median income receiving highest priority. Any family denied acceptance to the program based on residency or income requirements can appeal the denial and DHCD will be required to issue a decision within 15 business days.

DHCD estimates that we will need four additional staff members to implement and oversee the voucher program. The voucher program would be implemented using an online application portal to receive and approve applications from tenants. Once approved, checks will be ordered and executed. We estimate staffing and program administration costs to be \$373,180.

Estimated Program Budget	Cost
Application Processing, Correspondence	
2 Temp positions @ 100% for 24 months	\$95,856
Outreach, Promotion, Application Distribution and Review, etc.	
2 Social Services Coordinator positions @ 100% for 24 months	\$251,224
Program Management Software	
Initial Setup, Database API Connection, Administrator License	\$10,100
Program Administration	
Computer, Phone, IT support	\$16,000
TOTAL BUDGET	\$ 373,180

Misuse of Program funds

City Council Bill 21-0097 would require that a security deposit voucher be given directly to an eligible tenant to pay the landlord. Due to protocols surrounding vouchers, DHCD recommends that payment be made directly to the landlord as a 2-party check which would serve as an accounting control. If the Bill is amended to allow payments to be made to the landlord on behalf of the tenant, it would allow DHCD to ensure that payments are being used appropriately and will limit misuse of the voucher.

DHCD supports the proposed appeal process: City Council Bill 21-0097 would require DHCD to hold any family misusing the voucher funds accountable and liable for the voucher misused. Families found misusing the fund can appeal to the department, providing written reasons why the finding is incorrect. The Commissioner of DHCD will issue a decision within 15 business days.

Recommendation and Proposed Amendments

1. The Emergency Security Deposit Voucher Program should be supported by an annual appropriation in the ordinance of estimates in addition to any funding that may be dedicated by the Affordable Housing Trust Fund.
2. DHCD recommends the bill be amended to allow payments to be made directly to the landlord on behalf of the tenant via a two-party check.
3. DHCD recommends an amendment requiring rental properties to be licensed and registered with DHCD.
4. DHCD recommends decreasing the time period from 180 days for families to use the funds or request an extension to 90 days. This will allow DHCD to manage the funds with more accountability, efficiency, and the ability to re-appropriate unfunded vouchers to applicants.
5. DHCD recommends the bill be amended to require written notice to DHCD at least 15 days prior to the expiration of the voucher in order to request an extension.

Agency Review

DHCD acknowledges security deposits as a major barrier for low-income City residents in need of housing. Programs that facilitate affordable housing are aligned with DHCD's mission. DHCD supports the intent of this legislation but has concerns around the implementation of such a program. To effectively implement this program would require a dedicated funding source and additional staffing, as written, this legislation represents an unfunded mandate which would make implementation difficult.

It is worth noting that the program may be duplicative of efforts already underway by MOCFS. DHCD would like to work with the Mayor's Office, the Bill sponsor and additional agencies to address some of the concerns and suggestions laid out in our agency review.

DHCD supports City Council Bill 21-0097 in concept but **opposes** as drafted.

AK:mn

cc: Ms. Themelis, Nina, *Mayor's Office of Government Relations*