GOVERNOR MOORE'S 2024 HOUSING PACKAGE
Information for MBIA

Maryland is Experiencing a Housing Crisis

By even conservative estimates, Maryland is experiencing a shortage of **96,000** housing units and that figure will only grow without an intentional plan to address root causes. Over the last 10 years, Maryland has significantly underproduced housing which has added to this shortage at a rate of **5,600** units per year on average. As a state and nation, we are still living with the lingering effects of the 2008 financial and housing crisis. Pandemic-era inflation and the associated rise in interest rates have only worsened this problem - making new housing construction even more expensive.

This supply shortage is having direct impacts on Marylanders' pocket books as the pathway to homeownership is becoming increasingly out of reach. Between October 2021 and October 2023, the household income needed to afford the median-priced Maryland home has doubled, jumping by a staggering **56%**, from **$85,000 to $132,000**. And this impact is not specific to potential buyers as more than **52%** of Maryland renters are cost-burdened, spending **30%** or more of their wages on housing-related costs.

Bottom Line: Action is Needed During the 2024 Legislative Session

Package Description: Governor Moore's 2024 Housing Package is a set of necessary reforms that holistically addresses Maryland's housing crisis. By increasing funding for housing, reducing barriers to new construction, and protecting Maryland's most vulnerable renters, this package goes to the heart of the issues driving unaffordable housing costs and housing instability.

Impediments to new construction, inadequate capital resources, and predatory rental practices, contribute to the high housing costs that are burdening over half of Maryland renters. In recent years, states as diverse as Montana, Oregon, Florida, Massachusetts and Maine have successfully passed bipartisan legislation to expand housing availability. Maryland wouldn't be charting this path alone, but join a growing chorus of states that have undertaken major housing reforms.

This holistic package addresses the housing crisis through an "all-hands on deck" approach. This package recognizes the broad reforms needed throughout the housing continuum - from how housing is financed to where and how it's built to the protections afforded to those who live in it.

HOUSING EXPANSION AND AFFORDABILITY ACT OF 2024

Description: The Housing Expansion and Affordability Act of 2024 seeks to establish regulatory incentives to vital development to address the housing supply and affordability crisis in a manner that is sensitive to local zoning. The state currently blocks local authority to develop certain agricultural and environmentally-sensitive areas but we do not incentivize development in areas where building is more desirable.

Components of the Legislation:

1. **Density Bonuses**
   This section streamlines processes and allows for properties to be developed with higher density and in a more expeditious manner if the property is:
   - Within 1 mile of a passenger rail station and will contain at least 25% affordable housing units;
     - This seeks to address both the states housing and environmental goals by incentivizing the creation of new housing while unlocking car-free options for every day travel
   - Formerly a historic state-owned campus or complex that was built at least 50 years ago and will contain at least 50% affordable housing units; or
     - This seeks to address two problems at once by providing incentives to develop blighted properties while incentivizing the creation of more housing units.
   - Owned by a 501(c)(3) organization and will contain at least 50% affordable housing units
     - Housing operated on properties owned by nonprofit organizations are subject to property taxes
   - The density bonuses in this section are sensitive to local zoning decisions. Specific housing development will be authorized to be developed with higher density and in a more expeditious manner by:
     - Permitting middle housing in areas zoned for single-family;
     - Permitting mixed-use and 30% greater density in areas zoned for multifamily;
     - Permitting 30% greater density in areas zoned for mixed-use; and
     - Permitting mixed-use housing in line with the highest density area of the jurisdiction for areas zoned as nonresidential.

2. **APFO Exemptions**
   This section limits the ability of local jurisdictions to deny permits or unreasonably restrict projects funded by low-income housing tax credits (LIHTC) or other affordable housing financing programs managed by DHCD. This component focuses on adequate public facility ordinances (APFOs), which are often barriers to the construction of new affordable housing, by stating that projects receiving LIHTC or certain DHCD

multifamily funding cannot be denied a permit on the basis of an APFO. Additionally, they cannot be unreasonably restricted or limited to the point of impact the project's viability, affordability, or density on the basis of an APFO.

As a state, we are 96,000 units short today and these new housing units will seek to house people already in our communities. By doing this statewide instead of asking a single jurisdiction to stop the practice, it is much less likely that a family will uproot from schools, friends, and potentially family and move to a new area.

At the request of MACo, this exemption will sunset after a period of 15 years.

3. **Manufactured Homes**
This section addresses the high costs and lengthy time frame of construction by permitting new manufactured homes in areas zoned for single-family residential uses. The bill applies to manufactured homes that are, or will be, converted to real property once attached to a foundation.

This section utilizes the definition in Commercial Law Section 9-102 which reads: "Manufactured home" means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. The term includes any structure that meets all of the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

Key Points:

- Maryland needs homes of all shapes and sizes to meet the needs of diverse income levels;
- New mixed-income housing developments serve residents who already live, work, and go to school in a community, while reducing the impacts on families of paying housing costs that are too high;
- Incentivizing mixed-income housing close to train stations increases access to jobs, supports the fight against climate change, and supports the recovery of Maryland's downtowns from the pandemic;
- Setting reasonable expectations on the number of public hearings provides projects with needed stability and objective timelines. It also increases the ability of more residents to attend and voice their opinions at hearings;
- This development will create new opportunities for jobs, business creation, and social cohesion statewide.

HOUSING AND COMMUNITY DEVELOPMENT FINANCING ACT OF 2024

Description: The Housing and Community Development Financing Act of 2024 unlocks new tools to strengthen Maryland communities and address the ongoing housing crisis.

Components of the Legislation:

1. **Establishment of the Maryland Community Investment Corporation ("MCIC")**
   This section establishes a new Community Development Entity (CDE) to serve as an instrumentality of the state, the Maryland Community Investment Corporation ("MCIC").

   CDEs are entities certified by the US Treasury Department to make loans or investments that stimulate community development. The legal structure of these entities is determined by the Treasury, and they are funded through the New Market Tax Credit (NMTC). NMTCs are used primarily to fund commercial, industrial, community facility, and mixed-use real estate projects, as well as operating businesses located in qualifying low income communities. NMTCs can subsidize approximately 15% to 20% of a project's capital needs, usually in the form of low-interest, forgivable debt. CDEs sell the tax credits to investors with federal income tax liabilities, and use the funds raised by the tax credit sale to make debt or equity investments in entities located in qualified low-income communities. NMTCs are allocated based on a competitive annual process. $5 billion annually is currently dedicated to this program. On average, approximately 50% of the CDEs that apply in the competitive round receive NMTC allocations, with an average award of $50M. Once a CDE receives a NMTC award, it has five years to utilize it. The more quickly CDEs utilize their allocated tax credits, the stronger their argument is to receive new funding in the next competitive round.

   Many public jurisdictions have established quasi-governmental entities that have become certified CDEs to directly channel federal investment in their communities. For example, the State of California has deployed $253M in federal NMTCs through their CDE. As required by the US Treasury, the Corporation would be managed by a Board of Directors with a Chair picked from among their membership. The proposed membership would include the Comptroller, Secretary of Housing and Community Development, Secretary of Commerce, and two members appointed by the Governor representing nonprofit entities in the state and low-income communities.

2. **Alterations to Strategic Demolition and Smart Growth Impact Fund**
   This section seeks to expand the eligible costs for which a grant or loan can be issued to a local government or community development organization under the Strategic Demolition and Smart Growth Impact Fund to include debt payments and credit enhancement.

Under current law, the purpose of the Fund is to provide grants and loans to assist in predevelopment activities, including interior and exterior demolition, land assembly, architecture and engineering, and site development for certain revitalization projects.. This alteration to the Program is aimed at providing local governments and community development organizations an enhanced tool to promote development.

Key Points:

- Maryland is enhancing its long-term financial investment in low-income communities through more dedicated staff and the award of competitive federal resources.
- The creation of a Maryland Community Investment Corporation will direct an estimated $50 million in federal funding for community investment in Maryland.
- Adjustments to the Strategic Demolition and Smart Growth Impact Fund allowable uses enhance the ability of government agencies to finance housing and community development initiatives.
- The Maryland Community Investment Corporation is not anticipated to directly compete with existing Maryland Community Development Entities. The award of New Market Tax Credits does not have geographical requirements or restrictions, other than requiring 20% of all awards go to rural areas.

RENTERS RIGHTS AND HOUSING STABILIZATION ACT OF 2024

Description: The Renters Rights and Housing Stabilization Act of 2024 enhances protections for renters, strengthens the enforcement of existing laws, and reduces the impact of evictions on Maryland families.

Components of the Legislation:

1. **Establish the Office of Tenant Rights ("OTR")**
   This section seeks to establish OTR within the Department of Housing and Community Development. OTR will be responsible for serving as an advocate for renters, providing renters with information about their rights under law, how to exercise those rights, and acting as an ombudsman to coordinate with relevant state, local and federal offices as necessary.

   Importantly, OTR will be required to create and disseminate a Maryland Tenants Bill of Rights which will serve as a major public information source regarding renters rights and will be required to be provided to all tenants as an addendum to their lease. OTR will not have the ability to create new rights, rather the Office will ensure that all tenants have access to their rights in plain language and with contact information for OTR.

2. **Right of First Refusal**
   This section seeks to create new and better pathways to homeownership by providing renters with a right of first refusal upon sale of a rental property, allowing a renter the option to purchase the property themselves rather than it being sold to another landlord or potential inhabitant.

   The proposed timeline is unique to Maryland and takes in the feedback of both housing experts and realtors:
   1. **For Single-Family Homes:**
      a. Within 5 days of entering into a contract for sale, a landlord must provide written notice of the sale to the tenant and a sale offer;
      b. Within 20 days of the notice, a tenant must respond with an intent to purchase or their right is waived;
      c. Within 10 days of receiving from a tenant an intent to purchase, an owner must deliver a contract of sale for said property on the same terms and conditions; and
      d. Within 10 days of receiving the contract of sale, the tenant must return the contract, with any required deposit, to the owner.
   2. **For Middle Housing:**

a. Within 5 days of entering into a contract for sale, a landlord must provide written notice of the sale to the tenant or group of tenants and a sale offer;
b. Within 20 days of the notice, a group of tenants must respond with an intent to purchase or their right is waived;
c. If a group of tenants waives their right to purchase the property, an individual tenant may respond with an intent to purchase within 20 days;
d. Within 10 days of receiving from a tenant or group of tenants an intent to purchase, an owner must deliver a contract of sale for said property on the same terms and conditions; and
e. Within 10 days of receiving the contract of sale, the tenant or group of tenants must return the contract, with any required deposit, to the owner.

In designing this section, the Administration analyzed other jurisdictions and created the following details:

1. This right will apply only to single-family properties and those with four or fewer units;
2. Tenants are not permitted to sale their right of first refusal as in Washington DC;
3. Tenants only obtain this right after residing in the property for 6 months;
4. The notification requirements begin when a contract of sale is signed - however - a landlord can present terms to a tenant prior to entering into a contract; and
5. The proposed Office of Tenants Rights will help tenants navigate this process quickly so as to not create unnecessary delays in the buying process.

3. Eviction Filing Fee Alterations

This section addresses several issues with the status of Maryland's eviction filing fee.

First, the bill seeks to address Maryland's status of having the nation's highest eviction filing rate by blocking the pass through of the $15 eviction filing fee from landlords to tenants. Currently, this fee is passed through in cases of both right of redemption and adjudication.

Second, this bill seeks to address Maryland's status as having the lowest-in-the-nation eviction filing fee e from $8 to $93, thereby increasing the total cost of filing an eviction from $15 to $100. This would result in approximately $25 to $30 million in increased annual revenue to the state which is proposed to be dedicated as follows:

- 50% of incremental revenue to the Maryland Legal Services Corporation to assist in their representation of Marylanders in eviction cases; and
- 50% to help fund the state's new rental voucher program created by the General Assembly last year.

4. Voucher Program Prioritization

This section modifies the state's new rental voucher program to provide further prioritization of vouchers for families with children under the age of 5 and for pregnant women, intended to help achieve the state's child poverty reduction goals and help children in all communities.

5. **New Renter Protections**
   This section creates a number of renter protections that will help Marylanders become housed and stay housed.

   First, the bill seeks to reduce the allowable security deposit for renters in Maryland from two month's rent to one month's rent. This change closes the "first and last month's rent" loophole by limiting the tenant costs to occupy the premises to the security deposit and first month's rent.

   Second, the bill seeks to bar evictions in extreme weather or other dangerous conditions. This section simply builds upon an existing right for administrative judges to stay an eviction in extreme weather conditions by making this a requirement in cases of:
   - Temperatures below 32 degrees fahrenheit;
   - Winter storm or blizzard;
   - Hurricane or tropical storm;
   - Excessive heat warning issued by the National Weather Service;
   - Public health emergency; or
   - Any other state of emergency declared.

6. **New Reporting**
   This section expands the data required to be submitted in an Eviction Data Report to include:
   - Street address and city;
   - Date the owner filed for warrant of restitution with the court;
   - Date of hearing;
   - Date warrant was issued by the court;
   - Name of property owner;
   - Amount of rent and fees owed at time of possession judgment;
   - Whether the renter had right to redemption;
   - Outcome of warrant (tenant paid to stay, tenant moved, sheriff executed eviction, etc);
   - Whether tenant had legal representation at hearing; and
   - Whether the tenant appeared at the hearing.

KEY POINTS

- An Office of Tenants Rights will centralize resources for Maryland renters and increase the enforcement of existing state laws.
- Creating a tenant bill of rights as an attachment to leases will ensure all Marylanders know their existing protections under the law.

- Families losing their homes through an eviction should not have to move out during unsafe or emergent conditions.
- Increasing eviction filing fees is an evidence-based approach to protect Maryland families from the life-altering impact of losing their home through an eviction.
- Any adjustment to the eviction filing fee will not be billable to renter households. Eviction filings should be rare, and there is no evidence that landlords in the 49 other states with higher eviction filing fees are burdened by this cost of business.
- Maryland has the lowest eviction filing fees in the U.S. An adjustment to the eviction filing fee brings Maryland in line with the national average for this cost.
- Giving tenants the opportunity to purchase their home if it becomes for sale builds intergenerational wealth and increases neighborhood stability by allowing families to stay in their neighborhoods.
- Prioritizing families with young children for State Housing Vouchers increases the number of Maryland children who will grow up in secure, stable homes.