

Legislative Budget Analysis
Proposed FY 2025 Operating and Capital Budgets
Office of the County Auditor
Baltimore County, Maryland
HEARING DATE: May 6, 2024



Department of Housing & Community Development

Director: Terry Hickey

Budget Office Analyst: Shane Spencer

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Questions to Department Sent	Thursday, April 18
Responses Received	Thursday, April 25
Analysis considers all agency responses.	

BALTIMORE COUNTY
FISCAL YEAR 2025 BUDGET ANALYSIS

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)

BUDGET SUMMARY
\$ in Thousands

PROPOSED CHANGE	GENERAL	SPECIAL ⁽¹⁾	TOTAL	% Change Prior Year
FY 2024 - 2025 Change	\$ 169.1	\$ (16,084.6)	\$ (15,915.5)	-48.2%
BUDGET TRENDS				
FY 2023 Actual	811.7	24,075.0 ⁽²⁾	24,886.7	
FY 2024 Approp.	1,207.3	31,780.0	32,987.3	32.5%
FY 2025 Request	1,376.4	15,695.4	17,071.8	-48.2%

⁽¹⁾ Excludes Housing Office appropriations totaling \$91.6 million in FY 2024 and \$96.2 million in FY 2025.

⁽²⁾ Reflects audited expenditures \$2,209 greater than the amount reflected in the Executive's budget documents.

PERSONNEL

PROPOSED CHANGE	GENERAL		SPECIAL	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
FY 2024 - 2025 Change	1	2	0	(5)
BUDGET TRENDS				
FY 2023 Actual	0	10	0	44
FY 2024 Approp.	0	10	0	47
FY 2025 Request	1	12 **	0	42 **

VACANCY DATA

Positions Vacant*	0	2	0	2
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* Provided by the Office of Budget & Finance as of March 31, 2024 (General Fund) and April 30, 2024 (Special Fund)

** 20 positions are split-funded between General Funds and Special Funds

For further information contact: Office of the County Auditor

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)

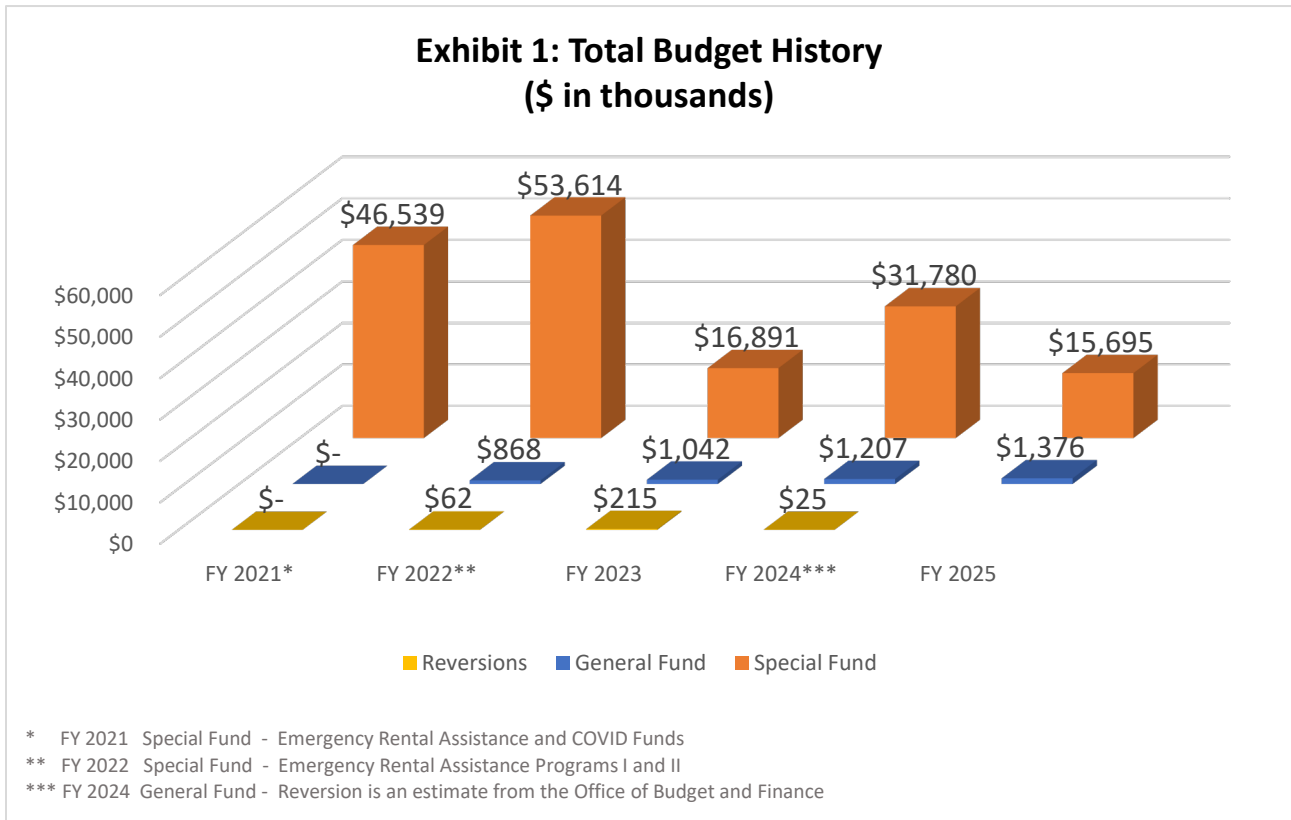
BUDGET SUMMARY:

The proposed FY 2025 budget for the Department of Housing and Community Development totals \$17.1 million, a decrease of \$15.9 million, or 48.2%, from the FY 2024 budget, including a \$169 thousand, or 14.0%, increase in General Fund expenditures, as follows:

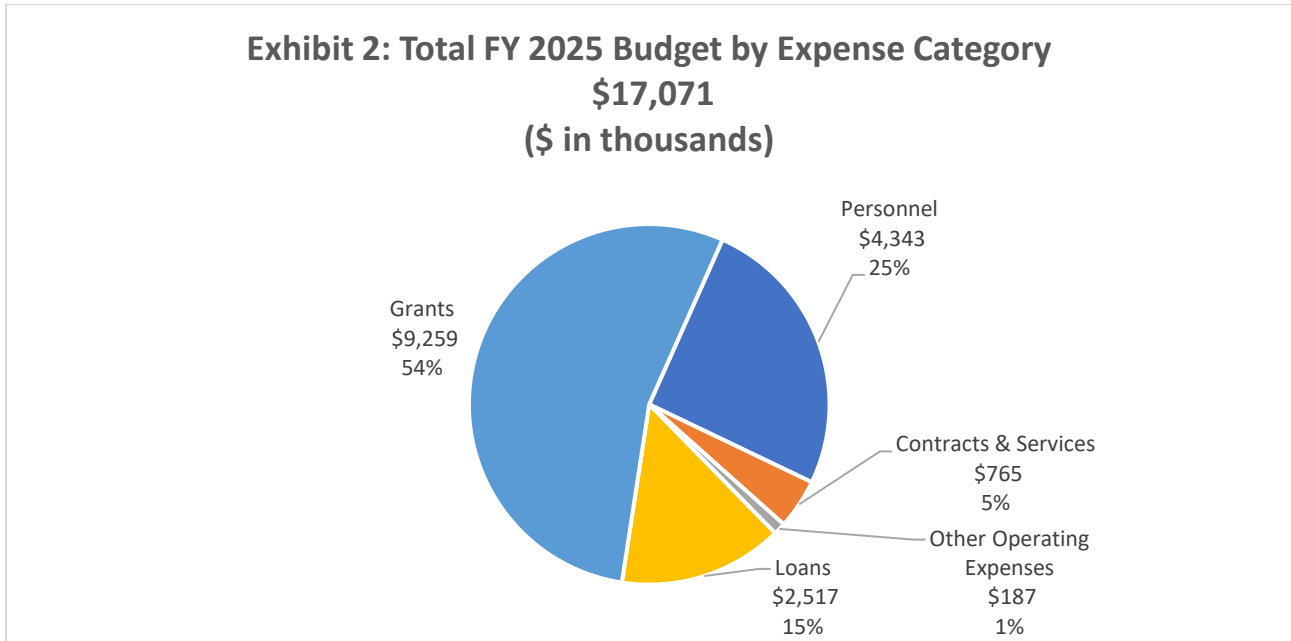
	General Fund	Special Fund*	Total
	(\$ in thousands)		
2025 Request	\$ 1,376	\$ 15,695	\$ 17,071
2024 Appropriation	1,207	31,780	32,987
\$ Increase/(Decrease)	\$ 169	\$ (16,085)	\$ (15,916)
% Increase/(Decrease)	14.0%	-50.6%	-48.2%

* Excludes Housing Office appropriations totaling \$91.6 million in FY 2024 and \$96.2 million in FY 2025.

See Exhibit 1 for a history of the Department’s budget and Exhibit 2 for the distribution of the expenditures as proposed for FY 2025.



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)



BUDGET FLEXIBILITY:

The Department's General Fund budget consists mainly of personnel costs, which account for 92% of all costs. The FY 2024 budget was able to absorb the salary costs (estimated to total roughly \$100 thousand) for three previously (wholly or partially) funded ARPA positions that were transferred-in, mid-year, in FY 2024; the proposed FY 2025 budget includes \$213 thousand in General Funds to pay for these currently filled positions. The Department split-funds 10 of its 13 authorized General Fund positions (the three positions noted above are fully-funded) between the General Fund and Gifts & Grants (Special) Fund, providing some flexibility in how positions are funded if higher-than-budget grant utilization becomes possible. Presently, the Department has two vacant General Fund positions, a Deputy of Operations and a Specialist Lead, with budgeted salaries of \$158 thousand and \$83 thousand, respectively, paired with budgeted turnover savings of \$40 thousand for 13 authorized positions, which could potentially provide the Department with some limited budget flexibility during FY 2025. Additionally, there are currently two vacant Gifts & Grants Fund positions, a Rehab Coordinator in the Federal Rehab Administration Grant and a HFO Program Manager in the Federal Lead Paint Hazard Reduction Grant, with budgeted salaries of \$78 thousand and \$94 thousand, respectively, paired with zero budgeted turnover savings, which, as noted, may need to be infilled with existing staff support until they are filled, potentially providing budget relief to the General Fund.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)

OPERATING BUDGET HIGHLIGHTS:

General Fund

Of the \$169 thousand General Fund increase, \$190 thousand is attributable to personnel expenses, detailed in item #1, offset by a \$21 thousand decrease in non-personnel operating expenses.

1. **Personnel Expenses total \$1.3 million (approximately 92.1% of the budget)**, an increase of \$190 thousand, or 18.0%, primarily for the following:

- **\$213 thousand – full-year General Fund salary costs for 3 previously-funded ARPA (Non-Merit) positions**
 - The FY 2024 General Fund budget included funds for one split-funded ARPA position. Mid-year during FY 2024, that split-funded position, as well as two fully ARPA-funded positions were transferred entirely to the General Fund; as a result, the proposed FY 2025 General Fund will be responsible for funding the following new salaries:
 - **\$83 thousand** – new, full salary for the **Fair Housing Manager (retitled Administrative Manager)** previously funded with ARPA grant funds – responsible for fair housing analysis applicable to land transactions and economic development projects designated for housing, including education, outreach, and the investigation and referral of fair housing claims from County residents.
 - **\$75 thousand** – new, full salary for the **Homeless Outreach Response Coordinator (retitled Administrative Lead)** previously funded with ARPA grant funds – responsible for performing professional administrative and managerial duties related to outreach to unsheltered persons. The Department advised that this position was created to address the increase in homeless individuals and encampments in the County since COVID-19; and
 - **\$55 thousand** – half-year salary impact for the **Deputy Chief of Policy and Strategic Initiative (retitled Chief of Operations)** with total salary of \$111 thousand – responsible for ensuring proactive engagement with stakeholders in planning and developing affordable and accessible housing units,

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conducting research and drafting documents in accordance with County housing policy, and assisting with projects to ensure that VCA goals are met.

- **\$30 thousand - Across-the-board Salary Enhancements**
 - \$19 thousand - 3% COLA effective January 1, 2025
 - \$11 thousand - FY 2025 effect of FY 2024 mid-year COLA/equivalent wage adjustment
 - The FY 2024 budget, adopted in May 2023, included a 2% employee COLA, effective in January 2024; thus, the FY 2024 budget absorbed a portion of the annual cost of this salary enhancement; the remaining portion of the annual cost is realized in FY 2025.
- **(\$19 thousand) - Employee Development**
- **(\$40 thousand) – Increased Turnover Savings from 0% to 3.0%**
 - The Department advised that it experienced approximately 5.7% in turnover in FY 2024, but did not experience any significant retention/recruitment challenges.
- **\$6 thousand – Other Salary Adjustments**

The Department should be prepared to discuss its personnel expenses, noting the flexibility provided by split-funding positions between General and Special Fund programs.

Special Funds

The Department's proposed FY 2025 Special Fund budget totals \$15.7 million, a decrease of \$16.1 million, or 50.6%, primarily due to the one-time infusion of \$16 million of ARPA funds into the non-lapsing Housing Opportunities Fund in FY 2024.

2. Housing Opportunities Fund (HOF)

The proposed FY 2025 appropriation to the HOF budget totals \$3.4 million; for FY 2025, this appropriation is funded via General Funds PAYGO Contributions to Capital. The Department advised that the primary intended use of the HOF is to provide gap financing and investment in projects that include affordable units or which otherwise provide housing to an underserved population (such as individuals with physical disabilities). To this end, the Department advised that the majority of HOF funds, including but previously appropriated and newly proposed

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funding, will be utilized for three projects in varying stages of advancement, as well as one new position:

- \$6 million – MCB Real Estate's acquisition of three County properties, preserving 460 housing units of attainable housing in Nottingham, Parkville, and Sparrows Point.
- \$5 million – Osprey Property Company's acquisition of the Prescott Square apartment complex.
- An amount to be determined for a yet-to-be announced project (and pending County Council approval of the expenditure).
- \$106 thousand – Housing Program Compliance Manager (retitled Administrative Manager) – responsible for ensuring that all VCA requirements are being fulfilled by managing a tracking/monitoring system, maintaining the County's record for the VCA, ensuring that reporting requirements are fulfilled, and providing the materials and data being presented meet the standards set in the Agreement.

Under the VCA, the County is committed to supporting and incentivizing the creation of 1,000 affordable rental housing "hard units," defined as "affordable rental housing resulting from new construction, substantial rehabilitation, acquisition, or existing housing stock," by 2027. The Department advised that as of March 31, 2024, the County has approved 754 hard units and is on track to meet the VCA production goal of 970 approved hard units by the end of 2025.

In addition to its progress in meeting the County's VCA obligations, the Department advised that there are 84 multi-family rental units currently under construction with an anticipated completion of August 2024; 15 single-family rehab units completed with 10 more to be completed by June 30, 2024; 17 units completed under the Housing Accessible Modification Program with 10 to be completed by June 30, 2024; 10 closing cost assistance loans, with 15 more to be closed by June 30, 2024; and approximately 800 households provided with housing counseling services (foreclosure, homebuyers education, rental, legal services, and closing cost assistance).

On October 2, 2023, the Council approved a 7-year and 6-month term contract with Guidehouse, Inc. The Department had advised that estimated compensation of \$797 thousand is for an initial 6-month scope of work (funded via the HOF) to provide consulting services in three major areas: assessing and providing recommendations for the County's Housing

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Financing Program; assessing the County's Supportive Housing programs; and assisting with drafting the Department's application to the federal Pathways to Removing Obstacles to Housing Notice of Funding Opportunity (due in October 2023). The Department advised that no funds have been specifically allocated in the FY 2025 proposed budget to continue this work.

The Department should be prepared to discuss:

- ***Its plans for providing funds to other projects;***
- ***Its selection process from among project applicants, and how it maximizes available dollars, given current interest rates and construction cost inflation;***
- ***The status of the consulting contract; and***
- ***Next steps in achieving Departmental priorities with respect to housing opportunities.***

3. Neighborhood Stabilization/Conservation Programs

The proposed FY 2025 budget includes \$300 thousand for the Neighborhood Stabilization/Conservation Programs, a decrease of \$674 thousand, or 69.2%, from the FY 2024 budget. These programs promote homeownership in communities experiencing high foreclosure rates by providing up to \$20-\$25 thousand in loan purchasing assistance to households with incomes at or below 120% of AMI buying a foreclosed property in 21 designated areas. The Department advised that further funding for these programs comes from proceeds from original borrower payoffs, and that \$497 thousand in Neighborhood Conservation Initiative loans will serve approximately 25 households, and \$176 thousand in Neighborhood Stabilization program loans will serve approximately 7 households. The Department further advised that no requests were received for these funds in FY 2024.

The Department should be prepared to discuss:

- ***How many properties throughout the County would potentially be eligible for program participation; and***
- ***How the County plans to raise awareness of the programs in FY 2025.***

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ADDITIONAL TOPICS FOR DISCUSSION:

4. Homelessness Prevention Programs

The proposed FY 2025 budget includes \$3.7 million for the following homeless prevention programs, an increase of \$905 thousand, or 32.6%, over the FY 2024 budget. The Department advised that the increase comes from anticipated increased funding in FY 2025, based on increased funding it received in FY 2024 of \$580 thousand (currently in the process of appropriation). The increased funding will be later designated for project performance.

State Homeless Solutions Program – HSP

The proposed FY 2025 budget includes \$1.2 million, an increase of \$524 thousand, or 74.9%, over the FY 2024 budget. The purpose of this program is to support emergency and transitional shelters, homelessness prevention, permanent supportive housing, case management, rental assistance, and unaccompanied homeless youth for housing, outreach, housing stabilization, and administrative funds.

Federal Continuum of Care-Planning

The proposed FY 2025 budget includes \$2.5 million, an increase of \$381 thousand, or 18.3%, over the FY 2024 budget. The purpose of this program is to provide safe, decent, permanent housing to individuals and families with children who are homeless or at risk of being homeless and to break the cycle of recidivism for persons in the criminal justice system due to homelessness.

The Department should be prepared to discuss its plans for the proposed funding for these programs, including the number of individuals to be served.

5. Eviction Prevention Programs

The Department has been responsible for the distribution of federal and State funds awarded to the County to provide rent and utility assistance payments for eligible renter households impacted by the COVID-19 pandemic as well as providing housing stability services, such as housing navigation and case management, landlord/tenant mediation and outreach, credit repair and money management education, and assistance with applying for benefits. No additional funds are proposed in the FY 2025 budget.

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- The Department advised housing stability services were provided to 848 households from the beginning of the program (October 2023) through March 31, 2024, and anticipates having approximately six months of available Emergency Rental Assistance Program (ERAP) housing stability funds available through the first half of FY 2025.
- The Department advised that it has \$1.2 million in direct Federal ERAP funds and \$300 thousand in State ERAP funds for direct rental assistance/eviction prevention to County households available for use through the end of FY 2025. The Department further advised that as the average household rent is currently \$1,500 - \$1,600 per month with rental assistance needed for 4 to 5 months, it estimates 207 households will be provided with rental assistance/eviction prevention with remaining ERAP funds. As the Department utilizes the last of the ERAP funds for rental assistance and housing stability, it anticipates a slight increase in households experiencing housing instability for the first time, but advised that it will not know the full impact until the end of FY 2025 into FY 2026.
- Across all of its homelessness/eviction prevention programs, the County has served the following number of individuals/households between FY 2023 and FY 2024, surpassing FY 2023 totals served in shelter and through street outreach:

	FY 2024 (as of March 24, 2024)	FY 2023
Total individuals served across all programs	2,711	2,905
Total households across all programs	1,984	2,057
Total individuals served in shelter	1,686	1,655
Total individuals served in street outreach	326	305
Total individuals exited to permanent housing	568	834

The Department should be prepared to discuss:

- ***The number of County households in need, and how many households have been served with ERAP funds so far; and***
- ***The number of County households in the past year that have sought relief but have been unable to receive it.***

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6. American Rescue Plan Act (ARPA) Projects

The Office of Budget and Finance anticipates \$2 million in previously-appropriated ARPA funds will be utilized for Department-related legal services and case management. This funding is in addition to other ARPA-related funding available within certain DHCD grant programs. The Office further anticipates \$3 million to be used in FY 2026 to ensure compliance, of which \$90 thousand has been spent as of December 31, 2023.

The Department should be prepared to discuss the extent to which ongoing legal services and case management costs will be required upon expiration of the ARPA funds, and the County's associated future budget plans.

7. Housing Office

The proposed FY 2025 budget includes \$96.2 million for the following Housing Office programs, an increase of \$4.6 million, or 5%, over the FY 2024 budget.

Housing Choice Voucher Program

The proposed FY 2025 budget includes \$84.0 million for the Housing Choice Voucher Program, an increase of \$3.0 million, or 3.7%, over the FY 2024 budget (offset by a \$1.2 million shift in funds to the Mainstream program as noted below). The Department advised that the increase reflects reasonable assumptions in light of inflation and to account for a higher payment standard. The Department further advised it will explore the addition of new vouchers if feasible.

Mainstream Program

The proposed FY 2025 budget includes \$1.2 million for the Mainstream Program to provide tenant-based assistance to persons with disabilities, with vouchers to be treated the same as regular voucher assistance. The Department advised that the program was previously included under the Housing Choice Voucher Program, but required a separate budget category as it is a separate grant. Mainstream vouchers are specifically designed to assist non-elderly persons with disabilities.

BALTIMORE COUNTY
FISCAL YEAR 2025 BUDGET AN/ALYSIS

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)

APPROPRIATION DETAIL						
		FY 2023 ACTUAL	FY 2024 APPROP	FY 2025 BUDGET	NET CHANGE	
					AMOUNT	%
<u>General Fund</u>						
	General Administration	\$ 811,664	\$ 1,207,262	\$ 1,376,385	\$ 169,123	14.0%
	General Fund Total	\$ 811,664	\$ 1,207,262	\$ 1,376,385	\$ 169,123	14.0%
<u>Special Fund</u>						
GR 1099	Federal CDBG-COVID-19	2,412,996	-	-	-	N/A
GR-1102	Federal Grants-Non-Profits (CDBG), Grants-Non-Profits (CDBG)	530,797	736,910	744,053	7,143	1.0%
GR-1103	Federal Home Investment Partnership Program - Federal, Home Investment Partnership Program	1,027,195	2,887,888	2,665,538	(222,350)	-7.7%
GR-1104	Misc Homeownership/SELP Program	20,000	-	-	-	N/A
GR-1107	Federal McKinney Emergency Solutions Grants	394,081	370,255	400,275	30,020	8.1%
GR-1108	Federal Rehab Administration	572,602	783,002	953,951	170,949	21.8%
GR-1213	Federal General Administration & Planning (CDBG), Program Income General Administration & Planning (CDBG) PI, General Administration (CDBG)	700,730	982,546	965,440	(17,106)	-1.7%
GR-1214	Federal HMIS	168,914	168,914	168,914	-	0.0%
GR-1215	State Homeless Solutions Program - HSP (State DHCD)	410,008	700,000	1,224,179	524,179	74.9%
GR-1216	Program Income Housing Rehab Program (CDBG) - Program Income, Federal Housing Rehab Program (CDBG) - Federal, Housing Rehab Program (CDBG)	482,022	790,938	550,000	(240,938)	-30.5%
GR-1217	Federal Housing Services	586,988	947,790	923,810	(23,980)	-2.5%
GR-1218	Federal Lead Paint Hazard Reduction Grant	228,775	226,090	99,541	(126,549)	-56.0%
GR-1219	Federal Non-Profit Public Capital Improvement (CDBG)	609,610	601,546	601,576	30	0.0%
GR-1244	Federal ESG-COVID-19	2,004,351	-	-	-	N/A
GR-1344	Federal Continuum of Care-Planning	1,151,062	2,078,530	2,459,793	381,263	18.3%
GR-1346	Federal Code Enforcement Program (CDBG)	-	70,000	70,000	-	0.0%
GR-1347	Federal DHCD CDBG-CV Fund	1,231,272	-	-	-	N/A
GR-1348	Federal Emergency Rental Assistance Program	(14,421)	-	-	-	N/A
GR-1373	Fees Community Development Administration	-	135,735	135,735	-	0.0%
GR-1374	I & P Federal Neighborhood Stabilization Program Grant	-	326,405	150,000	(176,405)	-54.0%
GR-1375	I & P State of Maryland Neighborhood Conservation Initiative Loan	-	647,413	150,000	(497,413)	-76.8%
GR-1382	Federal Emergency Housing Program COVID, DHCD	227,232	-	-	-	N/A
GR-1387	Federal Community Development Block Grant - Coronavirus	4	-	-	-	N/A
GR-1392	Federal Emergency Rental Assistance Program 2	6,185,097	-	-	-	N/A
GR-1393	Federal Emergency Solutions Grant - Coronavirus	1,894	-	-	-	N/A
GR-2010	Federal HOME-ARP Program	16,779	-	-	-	N/A
GR-2011	Federal ERAP 2	5,145,039	-	-	-	N/A
GR-2040	Fees DHCD Application Fees	-	26,000	26,000	-	0.0%
GR-2101	CDBG FY 21	(18,000)	-	-	-	N/A
	Housing Opportunity Fund	-	19,300,000	3,406,595	(15,893,405)	-82.3%
	Special Fund Total	24,075,027 ^(A)	31,779,962	15,695,400	(16,084,562)	-50.6%
	Grand Total	\$ 24,886,691	\$ 32,987,224	\$ 17,071,785	\$ (15,915,439)	-48.2%

(A) Reflects audited expenditures \$2,209 greater than the amount reflected in the Executive's budget documents.

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (067)

PERSONNEL DETAIL

	FY 2023 ACTUAL		FY 2024 APPROP		FY 2025 BUDGET		NET CHANGE	
	FULL	PART	FULL	PART	FULL	PART	FULL	PART
<u>General Fund</u>								
General Administration	0	10	0	10	1	12	1	2
General Fund Total	0	10	0	10	1	12	1	2
Total Special Fund	0	44	0	47	0	42	0	(5)
Total Special and General Fund	0	54	0	57	1	54	1	(3)