Baltimore Regional Fair Housing Group

c/o Dan Pontious • Baltimore Metropolitan Council •1500 Whetstone Way • Suite 300 • Baltimore, MD 21230

Recommendations for the Next Maryland QAP

October 15, 2021

The Baltimore Regional Fair Housing Group is a collaboration among the Baltimore metropolitan area's HUD entitlement jurisdictions (Cities of Baltimore and Annapolis, along with Anne Arundel, Baltimore, Harford, and Howard Counties) and the public housing agencies in those jurisdictions, with staff support at the Baltimore Metropolitan Council. We work together regionally to carry out our duty to affirmatively further fair housing and are currently collaborating to implement the Regional Fair Housing Action Plan in our 2020 Analysis of Impediments to Fair Housing Choice (AI). As the largest funding source for affordable housing in our region, Maryland's Qualified Allocation Plan (QAP) figures prominently in that plan.

While many of our individual jurisdictions have other comments and concerns about Maryland's Qualified Allocation Plan (QAP), it is important to emphasize that the recommendations in this letter are agreed on by all of our jurisdictions and housing authorities, speaking together with one voice.

We urge you to do the following in the upcoming QAP:

1. **Retain the five Policy Incentive points for Choice Neighborhoods developments.** The redevelopment of Perkins and Somerset Homes is a critical example of both preserving deeply affordable rental homes and bringing opportunity to an area that for too long was separated from it due to our country's and our region's 20th century history of exclusion.
2. **Count project-based voucher (PBV) units as 30% AMI for scoring without requiring owner/manager income verification.** Voucher programs provide deep affordability and also allow for family success and increases in incomes without losing an affordability safety net. Baltimore-area Housing Choice Voucher programs have participants averaging below 20% AMI, but some participants (no more than one-quarter per HUD rules) do have incomes above 30% AMI. Counting PBV units as 30% AMI for scoring but not requiring owner/manager income verification:
    a. Recognizes the unique ability of housing vouchers to provide deep affordability, including far below 30% AMI,
    b. Does not penalize increases in income that we do want to see among voucher program participants, and
    c. Keeps PBV residents from having to go through two burdensome income verification processes in order to lease a rental home.

3. **Increase Baltimore & DC metro-area Community of Opportunity (COO) Policy Incentives points to four, and allow them to apply to the nine highest scoring proposals.** The weak incentives in the 2020 QAP must be strengthened if they are going to have the appropriate effect on both applications and awards. An alternative could be to apply the incentive only in the Baltimore area and to apply it to the six top-scoring proposals. More detail on this point follows these recommendations.

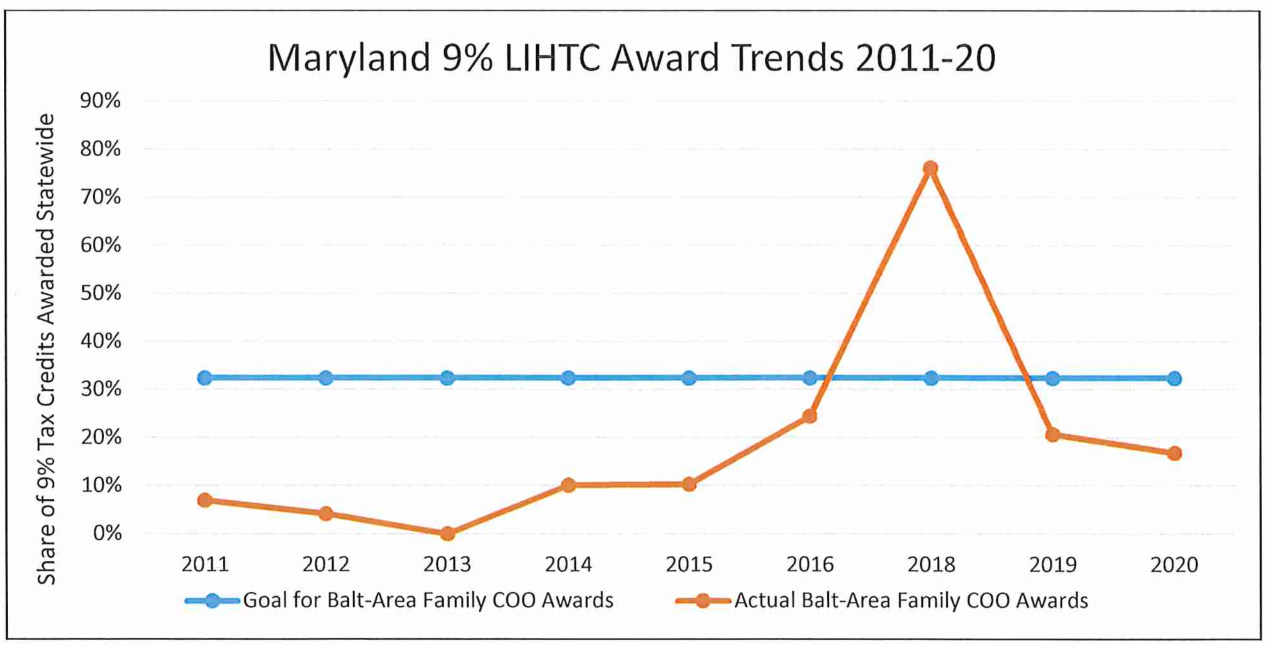
4. **Require robust affirmative marketing for Community of Opportunity homes.** New affordable rental units in Communities of Opportunity must be marketed to protected classes of people who have been historically excluded from those areas. DHCD should require robust affirmative fair housing marketing plans (AFHMPs) at application, potentially score based on those plans, require vigorous implementation, and possibly assist owners in handling demand from such affirmative marketing.

<u>COO incentives have been too erratic to have a sustained effect</u>

In 2011, private parties filed a fair housing complaint against the Maryland Department of Housing and Community Development (DHCD) that was resolved through a Voluntary Conciliation Agreement in 2017. As we expressed in our October 2019 comments on those QAP revisions, our 2020 Regional Analysis of Impediments to Fair Housing Choice (AI) shows that there is still more work to do to counter our region's 20th century pattern of affordable housing excluding people now protected by the Fair Housing Act from the full educational and economic opportunity of our metropolitan area.

Since the Baltimore region includes about half of Maryland's low-income population, we believe our region should receive half of Maryland's Low Income Housing Tax Credit awards. Consistent with our 2020 Regional AI, we also believe 65 percent of those awards should be open to families in Communities of Opportunity (COOs). Those two metrics combined would result in 32.5% of Maryland LIHTC awards being open to families in COOs in the Baltimore region.

This graph shows how those awards have actually played out since 2011:



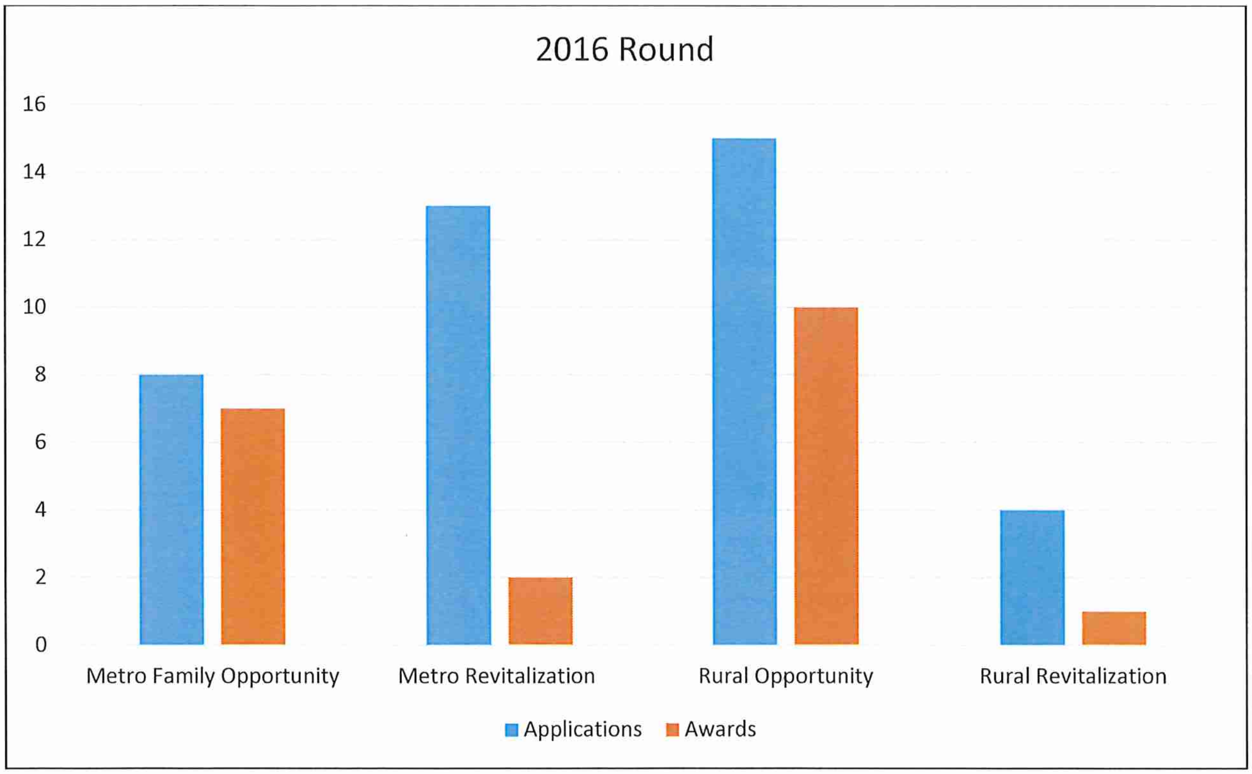
Only in the year that Maryland was striving full-throttle to fulfill the VCA – the 2018 QAP – did awards exceed this mark, doing so in dramatic fashion. The very next year all 2018 Communities of Opportunity (COO) policy incentives -- up to 11 points – were removed from the QAP, resulting in a return to the previous pattern. The 2020 round brought even a further retreat, despite mild new COO point incentives targeted to the Baltimore and Washington, DC core metropolitan areas.

A review of the changing policy incentives in the 2016-2020 QAPs illustrates why:

<u>2016: Statewide COO incentives drove applications & awards to rural areas</u>

2016 marked the first time DHCD provided strong incentives for family development applications in Communities of Opportunity. Scoring advantages of up to six points in income targeting and direct leveraging applied to family housing COO proposals statewide.

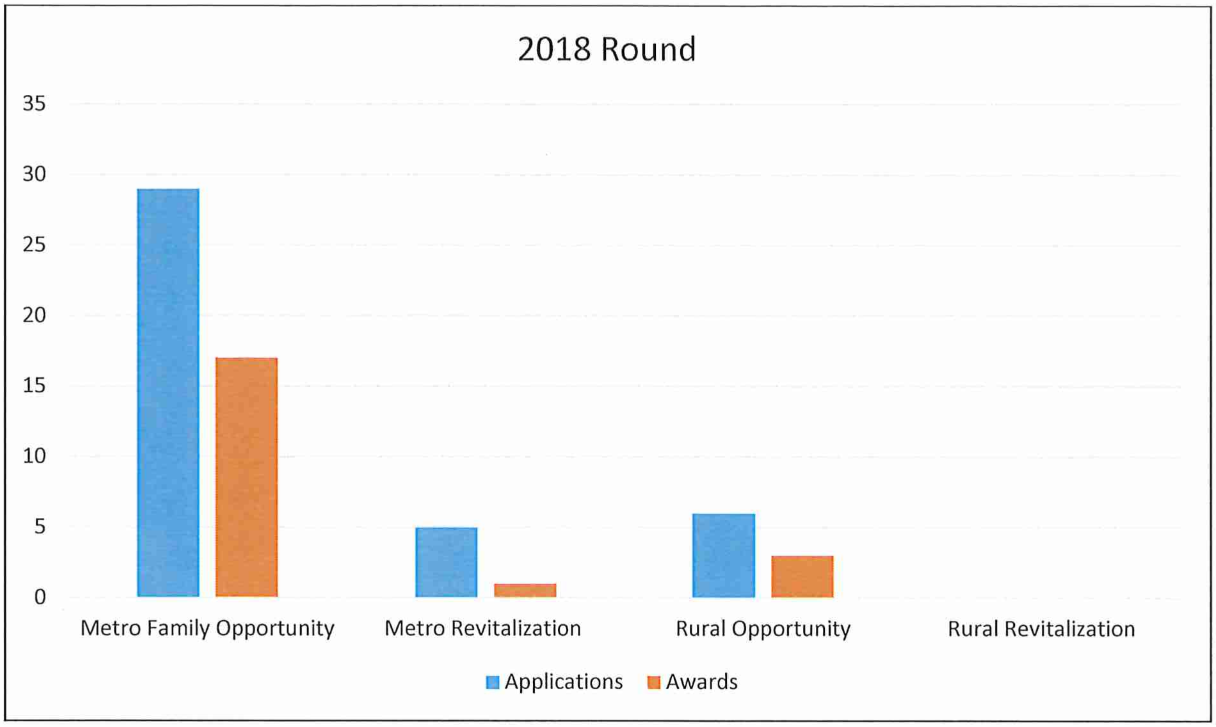
Likely due to the greater availability of inexpensive land in rural COOs, these incentives drove both applications and awards to rural areas.



This analysis uses the Baltimore/DC metro area and rural area framework in the 2020 QAP. The Baltimore/DC metro area includes Baltimore City and Anne Arundel, Baltimore, Carroll, Harford, Howard, Montgomery and Prince George's Counties, where about 80 percent of Maryland's low-income households live. In 2016 the rural areas of the State – home to about 1/5 of the demand in the State for publicly assisted housing – won more than half the awards.

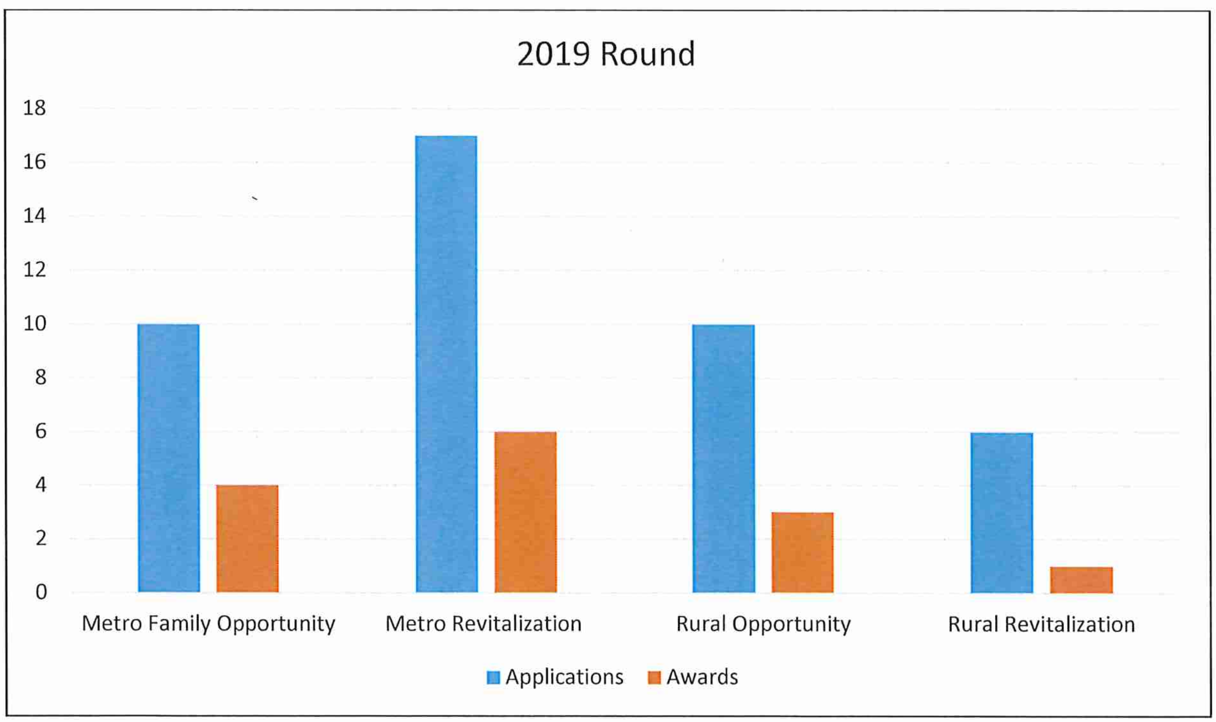
<u>2018: Strong VCA-driven Baltimore-area incentives drove applications and awards there</u>

In 2018, adding five policy incentive points for family developments in COOs in the Baltimore region on top of the up-to-six-point statewide 2016 COO advantage drove both applications and awards to Baltimore-area family COO developments and drove down revitalization applications and awards statewide:



<u>2019: All COO incentives dropped; historic pattern returns</u>

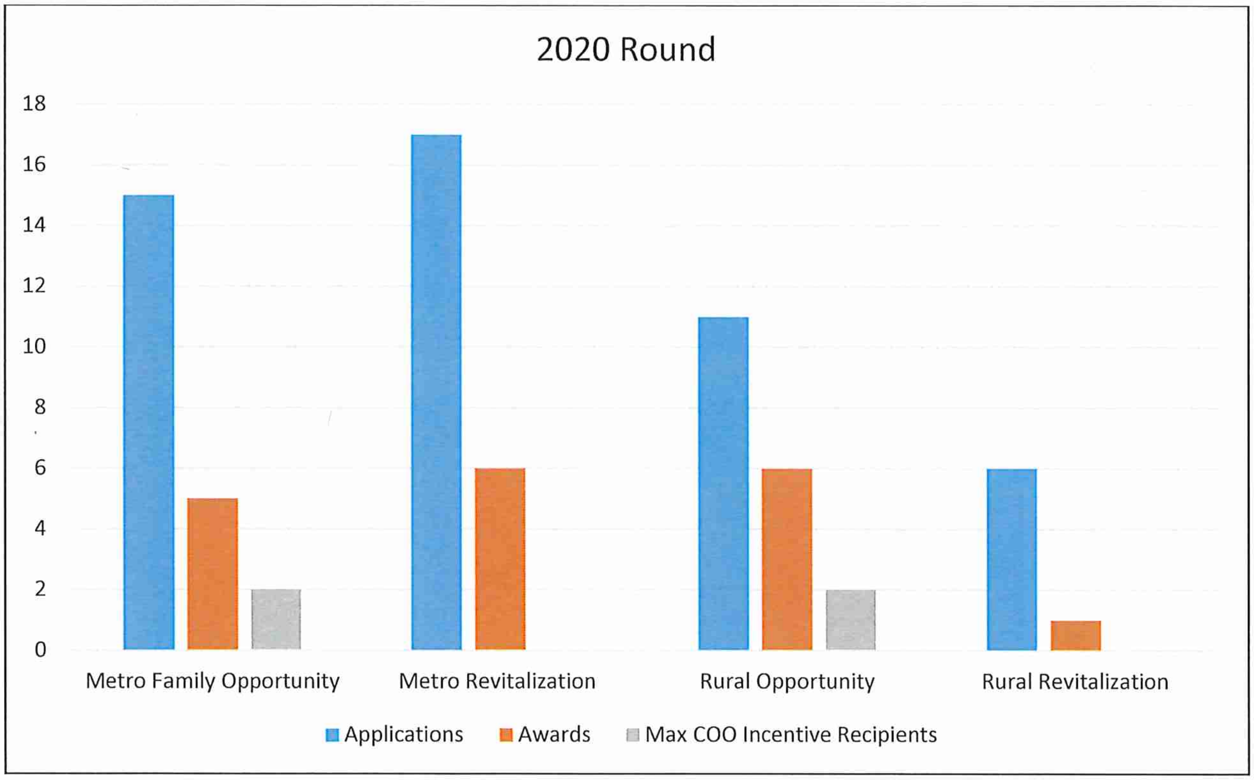
The very next QAP dropped ALL up-to-11-point COO scoring incentives from the 2016 and 2018 rounds, and historic patterns returned: Baltimore/DC-area revitalization applications and awards both exceeded those of family applications in metro COOs.



<u>2020: Mild new COO incentives not enough to stop slide</u>

In the 2020 QAP, DHCD recognized the important difference between Communities of Opportunity in core metropolitan areas and those in more rural areas, establishing the geographic metro-area/rural distinction used in this analysis. Unfortunately, the point incentives accompanying that distinction had two shortcomings:

1. **Too Small:** The two-point incentive was far smaller than COO incentives used in 2016 and 2018 (and the Choice Neighborhoods incentive in 2020).
2. **Unbalanced and Capped Too Low:** The two-application cap in both metro and rural areas didn't recognize that the Baltimore & DC areas include four times as many low-income households as the more rural portions of the State. Capping this mild incentive at the two highest-scoring applications in each area also ensured that it would not influence awards anywhere in the State, as shown in this graph:



As in 2019, Baltimore/DC-area revitalization applications and awards both exceeded those in Communities of Opportunity. In 2020, rural COO awards exceeded metro area COO awards <u>despite having far fewer applications</u>. Again, the rural jurisdictions have just one-fifth of the low-income households – and thus demand for publicly assisted housing -- as the Baltimore/DC-area jurisdictions.

The graph above shows that if metropolitan-area COO incentives were larger – four points instead of two, and could apply to more of the highest-scoring metro-area applications, this could have pushed metro-area COO awards above revitalization awards, helping to correct a historic tilt away from COOs, while also correcting the current imbalance toward the less-populated rural parts of the State.

We offer two options for how to do this – applying a bolstered incentive (4 points) either to the Baltimore region only or to both the Baltimore and core Washington DC areas. The 2016-2020 nine percent LIHTC rounds have resulted in an average of 18.5 awards. 32.5% of 18.5 – what we believe would be fair for Communities of Opportunity in the Baltimore region, would be six awards. DHCD could restrict the geography of this bolstered incentive (4 points) to the Baltimore region and allow the six top-scoring family COO proposals to receive it.

Alternatively, 65 percent of 80 percent of the Statewide awards – the share of the State's low-income population living in the Baltimore region and Montgomery and Prince George's Counties, is 52 percent of Statewide awards, or 9.6. DHCD could keep the metro-area geography designated in the 2020 QAP and allow a bolstered incentive (4 points) to apply to the top-scoring nine family COO proposals in the Baltimore and DC areas.

Thank you for your consideration of our feedback and recommendations, which we believe are crucial for effective deployment of the State's affordable housing resources. Please feel free to contact us if you have any questions or would like to discuss these recommendations further.

Sincerely,

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