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## Best Practice: Financial Incentive

### Baltimore City

Population Estimate (7/1/19): 593,490

Partners: [Baltimore City Department of Housing & Community Development \(DHCD\)](#), Local Community Development Corporations, Developers

**Key Takeaway:** *By allocating a dedicated funding stream to specific priorities, Baltimore City will be able to assist with affordable housing issues while also increasing existing property values.*

### Description

In November 2016 Baltimore City voters approved a [Charter Amendment](#) to create the Affordable Housing Trust Fund (Fund). Article I, Section 14 of the City Charter establishes the Fund, sources of revenue, administration and oversight, membership and roles and responsibilities of the Affordable Housing Trust Fund Commission, income requirements, permitted uses, and affordability periods.

The Fund is intended to support both rental and for-sale affordable housing for very-low and low-income households. The 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 \$46,000 for a household of four in 2018). At least half of the funds must be used to help those with incomes at or below 30 percent of the Area Median Income (approximately \$27,000) for a household of four in 2018.

The Fund is administered by the City's Department of Housing & Community Development (DHCD) and overseen by an advisory commission. It includes housing advocates, developers, financiers, and others with expertise in housing and community development. The Commission is charged with making recommendations to DHCD regarding policies, rules, and regulations pertaining to the implementation, expenditures, and operation of the Fund.

### Project Details:

The City seeks to promote equitable community development by directing funds to communities suffering from long-term and historical disinvestment. With the Fund, DHCD issued a [Notice of Funding Availability \(NOFA\) for Community Land Trusts – Single Family Homeownership](#). This NOFA supports DHCD's community development goals of meeting the demand for affordable housing and integrating land trust homes as part of a broader mixed-income housing strategy. DHCD is also making funds available from the Fund to support New Construction of Affordable Rental Housing and/or Rehabilitation of Existing Rental Projects for affordable housing. This [NOFA](#) allocates 10% for emerging developers, defined as those who have completed at least three and no more than five housing projects. Additionally, DHCD

issued a Professional Services [Request for Proposals](#) (RFP) from qualified applicants interested in providing professional services and technical assistance to develop, fund, monitor, and support community land trust as part of the Fund.

On February 9, 2021, the Affordable Housing Trust Fund Commission (Commission) Chairman, David Bowers, submitted an update on the fund and [testified](#) before the Baltimore City Council Economic and Community Development Committee. The February 9 investigative hearing on the Fund provided insight on program status and plans moving forward while trying to navigate through the COVID-19 pandemic. The testimony described the Commission's priorities of targeting Fund dollars to Baltimore residents most in need, ensuring long-term affordability, staffing resources, implementing a [spending priorities plan](#), supporting community land trusts, and leveraging additional funding to support the Fund. The Commission will continue to manage its goals and progress in the future and will continue to host public hearings with status updates virtually and in-person when permitted.

### **Connection to 2006 Comprehensive Plan, Revised in 2009**

Baltimore City's 2006 comprehensive plan first addresses funding for affordable housing in the description of how it will meet Maryland's planning visions, of which there were only eight when the plan was written. In its description of vision eight, Funding Sources, on page 10, the plan states "sustainable funding sources will be identified to ensure affordable housing." In 2009, the Maryland General Assembly expanded the [planning visions to 12](#), including one for housing. The city's comprehensive plan is organized into Live, Earn, Play, and Learn thematic sections. Goal 1, Objective 1: Expand Housing Choices for all Residents, of the Live section includes multiple strategies that can be implemented using the Fund.

### **Funding Sources**

Baltimore voters approved a Charter Amendment to create the Fund. To fund the effort, the City Council passed [Bill 18-0221, Ordinance 18-215](#), Recordation and Transfer Taxes, "Yield" Excise Tax – Dedicated Proceeds to the Affordable Housing Trust Funds. The bill, signed into law on December 12, 2018, authorized a .06 percent excise tax on the transfer of real property valued at or above \$1 million and a 0.15 percent excise tax on the recordation tax for real property transaction value at or above \$1 million. Approximately \$13 million per year is expected to be generated through the proposed new excise taxes.

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