

NCSHA 2008 AWARDS
Maryland Department of Housing and Community Development

Category: Homeownership
Sub-Category: Encouraging New Production
Entry Name: Downpayment and Settlement Expense Loan and Matching Loan funds for the Oliver Project in East Baltimore

BACKGROUND

The Maryland Department of Housing and Community Development (DHCD) committed up to \$720,000 from its *Downpayment and Settlement Expense Loan Program/Community Partners Incentive Program* to assist with downpayment and closing costs for borrowers who will be purchasing homes in the newly created **Oliver Development Project** in East Baltimore. The project is located in an area that is recognized as a catalyst for revitalization in East Baltimore. The Oliver Project plan calls for the development of 72 units over the next two years (36 units per year). Sixty-two of the units will be newly constructed single family homes; the remaining ten units will be existing units that are rehabilitated. A core element of the project is the creation of homeownership for low and moderate income families. The successful public/private partnership between the private sector, the city, and the state is critical to the Oliver Project's success.

While East Baltimore has high rates of poverty, unemployment, and crime, its strongest asset is its location near developing downtown Baltimore and close proximity to Washington, DC and is poised for a successful transformation. East Baltimore is located just four blocks north of the Johns Hopkins Medical Institution and just a mile north of the popular and prosperous Fells Point neighborhood. It has essential access to employment and recreation activities, and the elementary education in the community is considered one of the finest in the city. In addition, there are strong redevelopment initiatives taking place in the area:

- The **East Baltimore Biotech Park** will provide mixed use development and up to 8,000 new jobs for workers with a diverse range of skill sets.
- **Broadway Overlook** is a successful new HOPE VI development located nearby that includes 166 new mixed-income housing units.

DHCD's investment in East Baltimore is assisting in revitalizing a community that is sure to be an asset to the development of Baltimore.

The public/private partnership between the private sector, the city, and the state is critical to the Oliver Development Project. The project is sponsored privately by TRF Development Partners, which is a partnership between Baltimoreans United in Leadership Development (BUILD) and The Reinvestment Fund (TRF). DHCD's role in the project is twofold; first, each borrower will purchase their home using DHCD's **Maryland Mortgage Program**. In addition, each borrower will receive \$10,000 toward

downpayment and settlement expenses in the form of a 0% deferred loan: a \$5,000 *Downpayment and Settlement Expense Loan Program (DSELP)* loan plus a \$5,000 loan through one of DHCD's innovative Partner Match Programs – the Community Partners Incentive Program (CPIP). The CPIP loan will be matched by Baltimore City's contribution up to \$5,000.

One of the main goals of the project is to create homeownership for low and moderate income families. As can be seen, the public/private partnership between the private sector, the city, and the state is critical to its success.

As mentioned above, the Oliver project will help revitalize an area in East Baltimore that is overwhelmed with high crime, unemployment, and poverty rates. Forty-four percent of the 2,309 parcels in that area are either vacant or have vacant structures on them, and 419 occupied units are considered inhabitable structures or structures in poor condition. The Oliver project plan includes building 62 newly constructed single family homes and rehabilitating ten units, and will make affordable housing available to families ranging from 48% to 80% of Area Median Income.

The Oliver Project developers intend to develop and sell the units in three stages, targeting the first sales price of \$135,000, the second stage at a price of \$155,000, and the final stage at \$175,000. The ten lower priced rehab units will carry an average sales price of \$113,000. Research shows that the staggered pricing will ensure both strong project affordability as well as support sustainable upward movement in the real estate market. The first phase of this new development known as Preston Place is now for sale and consists of newly constructed three-story three-bedroom homes.

By utilizing the **Maryland Mortgage Program**, homebuyers will receive a wide variety of mortgage options to choose from, all with the lowest interest rates and most favorable fixed rate terms in Maryland. The downpayment assistance being provided will be in the form of a 0% deferred loan, repayable at the time of sale or transfer of the property. The combination of these two funding sources makes homeownership affordable for low and moderate income homebuyers.

JUSTIFICATION FOR NOMINATION

The project plan is to make seventy-two units affordable to local residents in the East Baltimore area with incomes ranging from 48% to 80% of Area Median Income (the Area Median Income for the community in which the Oliver Street project is located is approximately \$22,000 per year).

Borrowers must qualify and receive a first mortgage under DHCD's **Maryland Mortgage Program**. Baltimore City is considered a targeted investment area; therefore borrowers do not have to be first-time homebuyers. However, they do have to meet the Income Limits and Maximum Acquisition Costs set for the project. Homebuyer education is required under the **Maryland Mortgage Program**, which is essential to successful homeownership.

Borrowers also must qualify and receive a subordinate loan or grant from Baltimore City in the amount of \$5,000 in order to obtain the maximum \$10,000 loan from DHCD.

The Oliver Project's down payment and closing cost assistance commitment is funded from State-appropriated funds. The **Maryland Mortgage Program** is funded with proceeds from the sale of tax-exempt mortgage revenue bonds.

The Oliver Project is an excellent example of how public/private partnerships can successfully address a critical issue such as *affordable* homeownership. The project is being developed by a private partnership while the mortgage financing and downpayment assistance is being provided by the city and state housing finance agencies. A true result of how collaboration can result in achieving a common goal, the Oliver Project is proving to be a win-win investment for Baltimore, the private investment community, and the State.