National Housing Trust Allocation Plan

For Federal Fiscal Year 2026

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Maryland
DEPARTMENT OF HOUSING
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Introduction

The Department administers a variety of State and federal programs that finance the development of affordable rental housing. These programs include, but are not limited to, the Low-Income Housing Tax Credit Program (LIHTC), the Rental Housing Financing Program (RHFP), which is a combination of the state-funded Rental Housing Program and the federally funded HOME Investment Partnership Program, Rental Housing Works (RHW), and the Multifamily Bond Program (MBP). The Department may, from time to time, establish new development financing programs to advance its mission.

While there are variations between these programs based on the underlying source of funds, State and federal requirements applicable to specific funding sources, and State and federal policy goals, the Department seeks to align many of its administrative processes that accompany these programs. This alignment makes these programs more user-friendly and contributes to operating efficiencies for the Department and its partners, including owners, investors, and managers of properties financed by these various resources. The Department seeks to include its HTF in these alignment efforts.

General Requirements

Priority Housing Needs of the State/Eligible Populations Served

The Department has determined that a broader set of priorities is necessary to ensure the availability of important resources to all areas and populations in the State. Additionally, it has been determined that the established priorities should serve to guide -- not limit -- funding awards by the Department. The criteria outlined in this HTF Allocation Plan provide incentives for developments that meet these priorities.

Accordingly, the Department has established the following set of priorities to guide the award of NHT funding:

- Family Housing in Communities of Opportunity
- Housing in Community Revitalization and Investment Areas

- Integrated and Permanent Supportive Housing Opportunities for Persons with Disabilities and Persons Experiencing Homelessness or Housing Instability, including Veterans
- Preservation of Existing Affordable Housing
- Elderly Housing

It is the Department's intent to ensure that Maryland's affordable housing development resources, including HTF funding, are fairly deployed in a manner that best serves Maryland residents, including families, seniors, and persons with disabilities or special needs, and the continuing demand for quality, affordable rental housing across the State.

Funds available through the HTF Program will be targeted to provide permanent rental housing to extremely low income (ELI) households. The need for permanent rental housing for ELI households in Maryland is significant, with the latest estimates indicating that there are over 180,000 households in the State with incomes at or below 30% AMI, and 86% of these households pay more than 50% of their income for housing. Additionally, ELI households in Maryland have a high occurrence of disabilities and other special needs.

The HTF Program priority will be to increase the supply of decent, safe and sanitary affordable housing for ELI households, including homeless families. HTF funds may be used for the production, preservation and rehabilitation of affordable rental housing through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities.

Section 3 Requirements and The HTF Program

Section 3 of the Housing and Urban Development Act of 1968 applies to specific federal programs funded by the U.S. Department of Housing and Urban Development (HUD) and administered by or through the Maryland Department of Housing and Community Development (DHCD). The purpose of the requirement is to ensure that, to the extent feasible, employment and other economic opportunities are made available to low and very low-income persons because of HUD funded projects which include construction per Title 24 of the Code of Federal Regulations Parts 75 and 135.

The Section 3 regulations and requirements apply to projects which include construction, and the total project cost includes more than $200,000 of federal funds from one or more of the applicable programs. Section 3 applies to the entire project regardless of the use of the HUD funding in a project. The requirements apply to all contracts and subcontracts for construction activities regardless of if HUD funding is used or not.

Income Level to be Served

The HTF Program will serve ELI households. ELI households are defined as households with incomes at the greater of:

- 30% of the applicable Area Median Income (AMI); or
- Households with incomes at or below the poverty line.

Method of Distribution

Ninety percent (90%) of the HTF annual allocation will be used for the production, preservation and rehabilitation of affordable rental housing through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities. The Department will retain ten percent (10%) of the HTF annual allocation for allowable administrative and planning expenses.

The HTF program requires the Department to commit funds within 24 months of HUD's execution of the HTF grant Agreement.

Forms of Assistance

HTF funds may be used as broadly and flexibly as is permitted by federal regulations to address the unique underwriting needs of each project and the number of ELI tenants to be served. Forms of assistance may include:

- Equity Investments
- Interest-bearing loans or advances
- Non-Interest-bearing loans or advances
- Deferred payment loans
- Grants
- Other forms of assistance approved by HUD

Application and Award Process

HTF projects will be selected by the Department for funding consideration, subject to availability of funds. Applications will be reviewed for eligibility and evaluated using the Threshold Criteria set forth below. HTF funds will be awarded to eligible projects through a non-competitive, first-ready, first-served basis and will be used to complement and in conjunction with on-going Department housing programs to leverage other project funding, make projects financially feasible and increase the number of ELI households served in state-funded projects. HTF funds may be used in projects utilizing RHFP, LIHTC, MBP, Shelter and Transitional Housing Grant Program (STHGP) and any other programs administered by the Department. HTF may also be used with projects receiving non-Department housing program funds such as other state, federal, local/public or private sources. HTF may not be used with any funding sources that cannot be combined with HTF (e.g., Public Housing per 24 CFR §93.203). HTF funds may be requested by a Sponsor as part of a project application or Department staff may, in consultation with a sponsor, propose the use of HTF funds during project review and underwriting. Successful recipients will receive a Notice of Award, which will state the Department's intent to award HTF funds.

Eligibility Requirements

Eligible Activities

HTF funds may only be used for the following eligible costs:

- Development hard costs
- Acquisition costs
- Related soft costs
- Relocation costs

- Operating/rental assistance, but no more than one-third of the state's annual HTF allocation may be used for operating cost assistance and/or an operating cost assistance reserve but must be fully utilized within 5 years of the award. Such assistance can be subsequently renewed, as long as it's within the 30-year affordability period. It is anticipated that such assistance would be very limited and in the form of grants.
- Operating cost assistance and/or an operating cost assistance reserve may be provided only to rental housing acquired, rehabilitated, reconstructed, or newly constructed with HTF funds. [Section 200(a)(1)]. Eligible use of HTF for operating cost assistance and operating cost assistance reserve in accordance with Section 201(e).
- Operating costs are costs for insurance, utilities, real property taxes, and maintenance and scheduled payments to a reserve for replacement of major systems (provided that the payments must be based on the useful life of each major system and expected replacement cost) of an HTF-assisted unit.
- The eligible amount of HTF funds per unit for operating cost assistance is determined based on the deficit remaining after the monthly rent payment for the HTF-assisted unit is applied to the HTF-assisted unit's share of monthly operating costs.
- The maximum amount of the operating cost assistance to be provided to an HTF-assisted rental project must be based on the underwriting of the project and must be specified in a written agreement between the grantee and the recipient. The written agreement may commit, from a fiscal year HTF grant, funds for operating cost assistance for a multiyear period provided that the grantee is able meet its expenditure deadline in 93.400(d).
- The grantee may renew operating cost assistance with future fiscal year HTF grants during the affordability period [Section 302(d)(1) establishes a 30-year minimum affordability period] and the amount must be based on the need for the operating cost assistance at the time the assistance is renewed.

The Department will require that all applications for HTF funds must contain a description of the eligible activities to be conducted with the HTF funds.

HTF projects must also comply with Site and Neighborhood Standards requirements as established in the HTF interim rule published by HUD (Exhibit A). The Site and Neighborhood Standards at § 93.150 apply to new construction of rental projects receiving HTF funds.

All rehabilitation projects must meet the applicable HTF rehabilitation standards and the requirements of 24 CFR §93.301(b).

The Department will not use HTF funds for refinancing of existing debt.

Eligible Recipients

HTF funds may be allocated to for-profit or non-profit organizations, or other entities which have the demonstrated financial capacity and experience to complete and meet ongoing compliance requirements.

A recipient must:

- Provide a certification to the Department that it will comply with the requirements of the HTF program during the entire period that begins upon the selection of the recipient to receive HTF funds and ending upon the conclusion of all HTF-funded activities.
- Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity.
- Demonstrate its familiarity with requirements of other federal, state, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and
- Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to own, construct, rehabilitate, manage and operate an affordable multifamily rental housing development.

Minimum Threshold Requirements

DHCD staff will review all applicants to ensure compliance with the minimum threshold requirements as outlined in Section 3.3. If an application does not meet the minimum threshold requirements the application will not be considered for financing.

3.3.1 Market Assessment

A market assessment of the housing needs of ELI individuals to be served by the project must be submitted as part of the application. The assessment should review the neighborhood and other relevant market data to determine there is a current demand for the type and number of housing units being developed.

3.3.2 Site Control

Sponsors must have sufficient site control to allow projects to move forward if they receive an award of HTF funds. At the time of application, site control should extend for at least one-hundred and eighty (180) calendar days after the date of the application (including extension options). Acceptable evidence of site control includes deeds, contracts of sale, leases, purchase options, Land Disposition Agreement and other similar agreements from a local government, or other evidence at the Department's discretion.

3.3.3 Capital Needs Assessment (For projects acquiring an existing property)

To ensure that the proposed rehabilitation of the project is adequate, and that the property will have a useful life that exceeds the affordability period; a Capital Needs Assessment (CNA) of the property by a competent third party shall be submitted with the application. A CNA shall identify any work that must be completed immediately to address health and safety issues, violations of federal or state law, violation of local code, or any work necessary to ensure that the building can continue to operate as affordable housing.

3.3.4 Phase I Environmental Site Assessment

Each project must comply with applicable requirements of local, State, and federal environmental laws and regulations. As part of the Application Submission Package, an environmental assessment checklist or environmental report, if available, must be included. Environmental assessments must not be more than one (1) year old as dated from application submission. For acquisition/rehabilitation projects, the Phase I Environmental Assessment must include lead-based paint and asbestos testing.

3.3.5 Utility

Evidence that public water, sewer, electric, gas, telephone, internet, and cable services are at project sites or will be available during the construction or rehabilitation period must be provided. Acceptable evidence of utility availability may include a letter from the Development Team's civil engineer, the utility company providing the service, a responsible local official, or, for existing buildings, copies of recent utility bills. Alternatively, the applicant may provide a certification in a form to be approved by the Department.

3.3.6 Zoning

Sites must be properly zoned for their intended use. If a zoning change, variance, or exception is required, sponsors must provide the following information in the application:

- Documentation illustrating the present status of the proposed zoning change and the local planning and zoning process;
- Contact information for a local official familiar with the project and responsible for the approval process; and
- A detailed schedule with projected dates for obtaining the required approvals corresponding to the project schedule in the Application Submission Package.

3.3.7 New Construction - Priority Funding Areas (PFA)

All projects involving any new construction must be in a Priority Funding Area (PFA) under Maryland's Smart Green and Growing Initiative. PFAs include:

- All incorporated municipalities including Baltimore City, with some exceptions related to water, sewer, and density for areas annexed after January 1, 1997;
- All areas between the Baltimore beltway and the Baltimore City limits and the Washington, DC beltway and the Washington, DC boundary;
- All areas designated as Sustainable Communities, as defined by the Maryland Annotated Code, Housing and Community Development Article, Section 6-201(l);
- Federal and State enterprise zones;
- All areas designated by county governments as PFAs, including rural villages designated in county comprehensive plans as of July 1, 1998; and

- Certified heritage areas within locally designated growth areas.

All applications for projects involving any new construction must include a letter from the local government that certifies the project is in a PFA. Information regarding PFAs may also be found on the Maryland Department of Planning website.

3.3.8 Timeliness and Readiness to Proceed

The readiness of the proposed project to proceed with construction or rehabilitation activities will also be a critical factor in the determination of the award of HTF funds. The Department will consider the status of other financing (firm written financial commitments for other financing is required prior to the commitment of HTF funds), the local approval process, and other relevant factors in establishing the readiness of a project to proceed. As part of the Application Submission Package, sponsors must complete the Anticipated Development Schedule. This schedule should be consistent with the Department's underwriting and construction review process. If a project is approved, it is expected to meet the development schedule as proposed. In cases where a zoning change, variance, or exception is necessary, schedules must be consistent with the analysis provided by the Development Team's zoning attorney or engineer. In all cases, the Anticipated Development Schedule should reflect the project's readiness to proceed. Additionally, all projects must be financially feasible in accordance with the Department underwriting standards and generally accepted industry practices.

3.3.9 Underwriting Standards

All HTF-assisted projects must be consistent with regulatory requirements outlined in 24 CFR §93.300(b). All HTF-assisted must also conform to the following underwriting standards:

3.3.9.1 Vacancy

All projects will be underwritten with a minimum vacancy rate of 5%. Additionally, the Market Study must fully support the proposed vacancy level. The Department reserves the right to reject as infeasible any project that requires a vacancy rate of 10% or more.

3.3.9.2 Operating Expenses

Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits, should be no less than $4,000 per unit per year and no more than $8,000 per unit per year. Waivers may be requested for small projects of up to forty (40) units, projects with master-metered (i.e. project paid) utilities, or other unusual circumstances.

3.3.9.3 Reserves for Replacement

All projects must budget at least $300 per unit per year in reserves for replacement (RFR) deposits. Additionally, RFR deposits must be adequate to support the project as determined by a CNA prepared by a qualified third party. The Department reserves the right, in its sole discretion, to require a new CNA every five (5) to ten (10) years and adjust RFR deposits based upon such new CNA.

3.3.9.4 Operating Reserves

Each project must establish an operating reserve equal to between three (3) and six (6) months of underwritten operating expenses, debt service payments, and required deposits to other reserves. At a minimum, capitalized operating reserves must remain in place until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. At the discretion of the Department, the operating reserve may be released over the next three (3) years provided the project continues to achieve economic break-even operations and sustains 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred Developer's Fee, reduce any State loan, fund other reserves, fund project betterments, or otherwise be applied as approved by the Department.

3.3.9.5 Trending

In evaluating the long-term viability of the project, the Department requires that rents and other revenue from the project be projected to increase by no more than 2% annually. Operating expenses (including property taxes) must be projected to increase by not less than 3% annually.

3.3.9.6 Debt Service Coverage Ratio

All projects must be underwritten to a minimum debt service coverage ratio (DSCR) of 1.15 in the first year of stabilized operations. The DSCR will be calculated including all must-pay debt service payments.

3.3.9.7 Market Analysis

All applications must provide a Market Study commissioned by the applicant that must demonstrate the need for affordable rental housing in the local market and must meet the following criteria:

- The Market Study must be prepared by an independent professional who has experience with affordable multifamily rental housing in Maryland and whose firm who have undergone peer review by the National Council of Housing Market Analysts (NCHMA);
- The Market Study shall be not more than six (6) months old as dated from application submission;
- The Market Study must meet the requirements of the HOME Rule at §92.250(b)(2) and provide a concise executive summary of the data, analysis, and conclusions of the report covering; a detailed description of the project including the proposed number of units by number of bedrooms, unit size in square feet, utility allowances for tenant paid utilities and rents; a geographic definition of the primary market area (PMA) and secondary market area (SMA) in including maps; and a complete and accurate description of the site and the immediate surrounding area. The Market Study must also assess the market for the planned units and determine if there is enough demand to rent the assisted units within in 18 months of project completion (§92.252); evaluate the capture rate, absorption rate and analyze the completion in the market.

3.3.10 Developer Experience

The capacity of the applicant for HTF Funds is critical to the successful development and continuing operation of the project. In the allocation of HTF Funds, the Department will only fund projects with a strong development team meeting the requirements below. The Primary Development Team consists of the Developer/Owner, the project's general contractor, architect and property manager. Capacity will be based on the demonstrated relevant experience and qualifications of the Primary Development Team. The Department will evaluate the Primary Development Team based on their record of accomplishment during the past five (5) years with projects that are similar in size, scope, and complexity to the proposed project. Primary Development Team members without appropriate experience should establish partnerships with experienced entities.

3.3.11 Developer Financial Capacity

The Department will also review the financial capacity of the Developer/Owner and Guarantor to determine if the Developer/Owner has access to enough working capital to carry the project through pre-development and/or unexpected challenges and the net worth adequate to provide applicable guarantees of project completion and operations. The financial capacity of the Developer, including the project sponsor, guarantor, and general partner/managing member with an ownership interest in the project's ownership entity whether such roles are held by individuals, corporate entities, partnerships, or limited liability companies will be reviewed.

Financial statements for the three fiscal years prior to the application and the interim financial statements through the previous quarter are required for the project sponsor, project owner, guarantor, and general partner/managing member with an ownership interest in the project's ownership entity whether such roles are held by individuals, corporate entities, partnerships or limited liability companies. Each financial statement must identify all contingent liabilities including guarantees on other developments in process, income taxes estimated or accrued, and operating deficits. The required financial statements must include calculations of Total Assets, Total Liabilities, Current Assets, and Current Liabilities. The Department will use these figures to assess the Developer's financial capacity, assessing whether the Developer has access to sufficient working capital to carry the project through pre-development and/or unexpected challenges, and net worth (net assets for nonprofit organizations) sufficient to provide applicable guarantees of project completion and operations. Upon written request and at the Department's sole discretion, the requirement for Audited Financial Statements may be waived.

3.3.12 Geographic Diversity

HTF Program funds will be available on a State-wide basis. Ideally, housing opportunities for ELI household will be reasonably dispersed across the state, allowing physical mobility based on a household's own needs and preferences, and in doing so, promoting social and economic mobility for those same households. Achieving this end requires that the State invest in improving neighborhoods that already serve low-income residents and providing new housing options in historically less affordable communities that provide residents access to a broad array of jobs, services and amenities.

Some projects not only provide needed affordable housing, but provide synergy, contributing to and expanding upon broader State and local community development investments. In order to ensure that HTF funds are reasonably dispersed across the State, an eligible HTF project must be located within one of the areas below:

1. NHT funds may be awarded to any elderly or family project, new construction or rehabilitation, in a Qualified Census Tract (QCT) or Difficult Development Area (DDA) (this does not include any State-designated DDA under the authority granted in §42, more commonly referred to as a "state-designated basis boost") that contributes to a concerted community revitalization plan.

   To qualify for points in this category, a concerted community revitalization plan must meet the following requirements:

   - Officially adopted or endorsed by a Local Government or created with Local Government involvement;
   - Established to increase investment in the community or build from an existing community asset;
   - Developed and approved in accordance with local planning requirements;
   - Includes evidence of community and stakeholder engagement;
   - Has a defined geographic boundary, that includes the proposed site or is focused within a single municipality, jurisdiction, or targeted area;
   - If there is a housing component in the plan, the plan should include rehabilitation or new construction of rental housing as a goal for the community;
   - Includes details of implementation measures along with specific time frames for the achievement of such policies and housing activities; and
   - Provides a list of other investment occurring or planned within the immediate area.

   A community revitalization plan will be considered ineligible if it:

   - Was formulated solely by a Development Team member. This requirement shall not exclude a plan which included Development Team member(s) as a participant in the planning process;
   - Is a comprehensive plan, consolidated plan, municipal zoning plan or land use plan; unless such plan includes a neighborhood-based or other location specific strategy that articulates where development may occur; or
   - Is not relevant to current neighborhood conditions.
2. NHT may be awarded to family projects with reasonable access to jobs, quality schools, and other economic and social benefits, as demonstrated by meeting at least one (1) of the following two (2) criteria:

- Be in a “Community of Opportunity” as shown on the Maryland QAP Comprehensive Opportunity Maps posted to the Multifamily Mapper on the DHCD website.

3.3.13 Duration of Affordability Period

HTF-assisted units must meet the affordability requirements for a period of 40 years, which begins at project completion. The affordability requirements will be imposed by a Regulatory Agreement or other similar document recorded in accordance with State recordation laws. The affordability restrictions may be terminated upon foreclosure or transfer in lieu of foreclosure. Each application must include a project pro forma to cover the 40-year HTF affordability period and include rents that are affordable to the ELI household.

Priority Criteria

The following factors will also be evaluated by the Department in its review of applications for HTF funding:

- **State Housing Priority Needs:** The HTF is primarily a production program meant to add units to the supply of affordable housing units for ELI household. The extent to which the project proposed to meet this objective will be evaluated by the number of ELI units proposed along with the merits of the application in meeting the priority housing of the locality where the project is located such as accessibility to transit or employment enters, housing that includes green building and sustainable development features or housing that serves special needs populations;
- **Project-Based Funding:** The Department will provide a priority for projects with project-based rental subsidies for all the HTF-assisted units in the project. Documentation from the local Public Housing Authority or other entity must be provided to show that the project-based subsidies will be in place for the term of at least five (5) years with renewal provision. The project-based assistance may be federal, state, or locally funded. Other forms of project-based assistance will be reviewed on a case-by-case request. For Example: If the Department receives two equal applications, the one with documented project-based rental assistance will be given priority.

- **Leveraging:** In the award of HTF Funds, the Department will provide a priority for projects which leverage non-Federal funding sources. For this purpose, non-Federal funding sources will include equity raised from the sale of Low-Income Housing Tax Credits, as well as loans funded from the proceeds of tax-exempt bonds. The Department will evaluate the percentage of total development costs funded by non-state resources.

For purposes of this section State resources, in accordance with the chart below, include:

- All equity generated from competitive LIHTC awards from the State's LIHTC ceiling except any LIHTC awarded as the result of a federally or state designated basis boost;
- Department-administered rental housing resources, including, but not limited to, RHFP, RHW, HOME, NHT, CDBG, the Community Legacy Program, Demolition Funds, and the Partnership Rental Housing Program.

Leveraged funding may include:

- Equity from a federal or state basis boost;
- Equity from non-competitive 4% LIHTC awards;
- The proceeds of MBP financing;
- Local contributions (as described below);
- Locally controlled federal resources such as HOME, CDBG, or State Small Cities CDBG;
- Other non-Department State funding;
- Private financing; and
- Private or philanthropic funding.

Additional Program Requirements

Affirmative Fair Housing Requirements

The State of Maryland has a compelling interest in creating fair and open access to affordable housing and promoting compliance with state and federal civil rights obligations. Fair Housing requirements apply to the full spectrum of housing activities including but not limited to outreach and marketing, the qualification and selection of residents and occupancy.

Eligible applicants must include a certification that the project will develop and implement an Affirmative Fair Housing Marketing Plan (AFHMP) using form HUD-935.2A.

Tenant Selection

There must be a written lease between the tenant and owner of HTF-assisted rental housing for a period of not less than 1 year, unless a shorter period is mutually agreed upon. The lease may not contain any of the following provisions:

- Agreement to be sued;
- Treatment of property;
- Excusing owner from responsibility;
- Waiver of notice to be sued;
- Waiver of legal proceedings;
- Waiver of a jury trial;
- Waiver of right to appeal court decision;
- Tenant chargeable with cost of legal actions regardless of outcome; and
- Mandatory supportive services.

Other Additional Requirements

HTF projects must also meet the following requirements:

- Initial Rents and Utility Allowances. The Department will establish maximum monthly allowances for utilities and services and annually review and approve rents proposed by HTF-assisted project owners;
- Tenant Income and Over-Income Tenant. Project owners must determine tenant eligibility by calculating the household's annual income using the definition of income, 24 CFR part 5.609. Income determinations are conducted at initial occupancy and the project owner must reexamine each tenant's annual income each year during the period of affordability.
- Fixed and Floating HTF Units. In a project containing both HTF-assisted and other units, the grantee will designate fixed or floating HTF units at the time of project commitment in the written agreement between the grantee and the recipient.
- Referrals. DHCD intends to establish a web-based process for service providers to connect their target population-eligible clients to available unit's set-aside for that specific targeted population.

Development Quality

Property Standards

Projects are eligible for HTF funds only if the housing will meet the applicable property standards upon completion. All HTF – assisted projects must meet all applicable State and local codes, ordinances and zoning requirements. In the absence of those codes, the housing must meet the International Residential Code or International Building Code (as applicable). All HTF - assisted projects (both new construction and rehabilitation) must meet the following requirements:

- The accessibility requirements of 24 CFR part 8, Titles II and III of the Americans with Disabilities Act implemented at 28 CFR Parts 35 and 36; and 24 CFR 100-205 as applicable; and other improvements that are not required by the regulations or statute that permit use by a person with a disability.
- The energy efficiency standards established pursuant to Section 109 of the Cranston-Gonzalez National Affordable Housing Act.

- Where relevant, the housing must be constructed or rehabilitated to mitigate the impact of the potential disasters, in accordance with applicable State and local codes, ordinances, and requirements, or other requirements established by HUD.
- The Department will review and approve written cost estimates and ensure that construction contracts and work will meet all applicable standards; and
- The Department will conduct initial, progress and final inspections to ensure work is done in accordance to work write-ups/ architectural specification.
- The Department will determine the useful life of major system through a capital needs assessment and require a replacement reserve when the useful life of systems is less than the affordability period
- The housing must meet the lead-based paint requirements at 24 CFR part 35.
- All housing must be decent, safe, sanitary, and in good repair as described at 24 CFR 5.703.

Health and Safety Violations

Health and safety violations can be divided into non-life threatening and exigent, life-threatening conditions. Non-life-threatening violations include items such as pavement and walkway problems that create the potential for tripping and falling; missing or non-functioning sinks and bathroom components in individual units that impair human sanitation; missing exterior doors; and floor covering damage. Such violations must be addressed within thirty (30) days.

If the housing is occupied at the time of the rehabilitation, exigent health and safety and fire hazards must be addressed immediately (within 72 hours) because of their life-threatening potential.

Maximum Per-Unit Development Subsidy

As a Housing Credit Agency (HCA) and the administrator of HOME funds for over twenty-five years for the state of Maryland, DHCD is charged with determining project cost reasonableness on an annual basis. As detailed in the Department's Qualified Allocation Plan and Financing Guide, DHCD has established limits on the dollar amount of construction costs per square foot statewide. While some unique aspects of a given project may reasonably require greater investment (for example, redevelopment of a historic building on a brownfield site), DHCD also wants to encourage selection of projects that achieve various public goals—including taking on challenging sites, building high quality projects, and serving populations with unique needs—while still doing so for competitive costs.

Unit Size/Number of Bedrooms	HOME Subsidy Limit (effective June 2026)
0 BR	$181,488
1 BR	$208,049
2 BR	$252,994
3 BR	$327,293
4 BR	$359,263

Additionally, the Department's New Construction or Rehabilitation Cost Limits are as follows:

Type of Building	New Construction	Rehabilitation
Cottage, Single Family, Semi-detached Dwellings, and Townhomes	$271	$277
Garden Apartments	$227	$173
Non-elevator Stacked Units and Elevator Buildings with 4 stories or less	$246	$202
Elevator Buildings of 5 or more stories	$271	$210