

**Department of Legislative Services**  
Maryland General Assembly  
2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 168  
Economic Matters

(Delegate Vogel)

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**Housing and Community Development - Affordable Housing - Educator  
Workforce Housing and Municipal Corporations**

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This bill establishes that developing “educator workforce housing” is an eligible use for the proceeds of a loan, grant, tax credit, or other financial support for specified housing programs administered by the Department of Housing and Urban Development (DHCD). DHCD must notify applicants to those programs that developing educator workforce housing is an eligible use of financial support from the State; however, the notification requirement does not apply to applications for any DHCD program that does not focus on housing. The bill establishes that teachers and other school employees must be considered a specified group under the federal Low-Income Housing Tax Credit (LIHTC) program and other applicable federal programs. Finally, the bill expands the purpose and eligible recipients of funding from the Housing Innovation Fund, Housing Innovation Pilot Program, and Neighborhood and Community Assistance Program to support the development of educator workforce housing. **The bill takes effect July 1, 2026.**

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**Fiscal Summary**

**State Effect:** DHCD can implement the bill with existing budgeted resources, as discussed below. Revenues are not affected.

**Local Effect:** Local school boards and municipal corporations are eligible for funding assistance from the State to support the development of educator workforce housing. The bill otherwise does not materially affect local government operations or finances.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** “Educator workforce housing” means affordable housing that is reserved for teachers or other employees of a local school system.

The bill establishes that it is State policy to support educator workforce housing development in Maryland. If the laws or regulations governing a particular program affected by the bill establish more specific rules regarding the use of financial support for educator workforce housing, the more specific rules must apply.

Providing educator workforce housing is a “school purpose,” so that a local school board may not declare any land, school sites, or buildings that it owns as surplus property if they can still be used for educator workforce housing.

### *Changes to Affordable Housing Programs*

The bill alters the scope of the Housing Innovation Fund and the Housing Innovation Pilot Program, both of which terminate July 1, 2029.

The bill alters the purpose of and potential recipients of funds from the Housing Innovation Fund. Specifically, the purpose of the fund is expanded to include providing loans to develop educator workforce housing, and the potential recipients are expanded to include local boards of education and municipal corporations. Similarly, the bill alters the definition of a “housing innovation project” as it relates to the Housing Innovation Fund and Pilot Program to include a project to provide educator workforce housing. A project may qualify as a housing innovation project if it provides new housing in which any portion of the units are set aside for educator workforce housing.

The bill alters the purpose of the Housing Innovation Pilot Program to include municipal corporations and county boards of education among the entities for which the program (1) creates opportunities for increasing housing production and (2) rewards for pursuing innovative solutions to the problem of housing scarcity.

### *Neighborhood and Community Assistance Program*

The bill alters the scope of the Neighborhood and Community Assistance program to include providing educator workforce housing. Additionally, the bill requires that any project proposed that provides educator workforce housing be approved by the local board of education or authorized designee of at least one local school system that stands to benefit from the project.

## **Current Law:**

### *Live Near Your Work Program*

The Community Development Administration (CDA) must administer the Live Near Your Work home buyer assistance program that (1) assists home buyers to receive low-interest mortgage loans, with down payment and closing cost assistance options, for the purchase of homes near their workplace and (2) coordinate with, and match where appropriate, similar programs offered by private employers and county and municipal governments so as to maximize the total amount that home buyers can receive under the program. CDA must (1) allow home buyers to use the loans for the purchase of newly constructed or existing homes and (2) require a home purchased under the program to be occupied by the home buyer as a principal residence. In addition, CDA must facilitate the marketing of the program with private employers, county and municipal governments, and, where appropriate, other units of State government and nonprofit organizations.

### *Live Near Your Work Program – Community Development Projects*

CDA must administer community development projects that (1) are in sustainable communities and (2) provide employees with financial assistance in the form of grants to buy homes near their workplaces. A community development project administered pursuant to these provisions is not subject to specified provisions that require that part of the housing be occupied by families of limited income.

### *Housing Innovation Fund*

The Housing Innovation Fund is a special, nonlapsing fund administered by DHCD. The purpose of the fund is to provide loans for local housing authorities and county governments to develop mixed-income, cross-subsidized housing. The fund consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. The fund may be used only to provide low- or no-interest loans to local housing authorities or to county governments partnering with housing developers through the Housing Innovation Pilot Program. In addition, the fund may be used for projects where a county, in conjunction with a local housing authority or a housing developer, acquires existing private sector housing. The fund terminates June 30, 2029.

### *Housing Innovation Pilot Program*

“Housing innovation project” means a project to provide mixed-income, cross-subsidized housing that meets specified criteria. “Public ownership” means that the housing authority of the political subdivision of the State in which the project is located possesses majority ownership or control.

The purposes of the Housing Innovation Pilot Program are to create opportunities for the State's housing authorities and county governments to increase the volume of housing production and to reward counties pursuing innovative solutions to the problem of housing scarcity. The program must be operated with money in the Housing Innovation Fund. A project qualifies as a housing innovation project if it provides new housing in which (1) at least 20% of the units are set aside for households with a gross annual income of not more than 50% of the area median income for a household of a like size or (2) at least 40% of the units are set aside for households with a gross annual income of not more than 60% of the area median income for a household of like size.

DHCD must prioritize funding for projects in which (1) the project does not use LIHTC equity or tax-exempt volume cap; (2) the specified affordable set-asides remain restricted at elected levels for at least 99 years; (3) the project remains in public ownership; and (4) the project includes a commitment to prevailing wage requirements.

DHCD must (1) coordinate with local housing authorities and county governments to ensure access to other financial resources, including senior debt products; (2) develop new resources in support of statewide housing production; (3) solicit applicants for the program; and (4) select three projects to receive assistance from the program each in a different jurisdiction. DHCD may select fewer than three projects to fund if there is an insufficient number of eligible applicants.

In administering the program, DHCD must take into consideration the need for increased development capacity within local housing authorities. DHCD may not condition the award of funding from the program on the issuance of bonds by DHCD. The program terminates June 30, 2029.

#### *Neighborhood and Community Assistance Program*

The purposes of DHCD's Neighborhood and Community Assistance Program are to (1) help nonprofit organizations carry out approved projects in priority funding areas; (2) encourage business entities to invest in priority funding areas; and (3) strengthen partnerships between public and private entities.

For each fiscal year, a nonprofit organization may submit to DHCD, for approval under the program, a proposal for a project to provide services to a priority funding area. The project may include community services, redevelopment assistance, job training for low-income individuals, education, and crime prevention. The proposal must include specified information, including the project to be conducted, the priority funding area that will benefit from the project, and the estimated project costs, among other things. A proposal must be approved by the local jurisdiction in which the priority funding area is located before DHCD may approve it. However, if a local jurisdiction does not respond within 45 days of receiving notice of the proposal, DHCD may approve the proposal.

In considering a proposal and in determining the maximum amount of contributions eligible for tax credits, DHCD must consider relevant factors, including the need for the project, the anticipated benefit to the priority funding area, the applicant's ability to successfully complete the project, and the geographic distribution of projects, among other things. DHCD may give preference to a proposal that benefits a sustainable community designated by DHCD's Business Development Program or a neighborhood conservation district designated under the program. DHCD may also request data and assistance from other units of the State in approving or disapproving a proposal and in determining eligible amounts.

An individual or a business entity may claim a nonrefundable tax credit against the income tax, insurance premium tax, or public service company franchise tax for a contribution worth more than \$500 in goods, money, or real property to an approved project under the Neighborhood and Community Assistance Program. The tax credit is equal to 50% of the amount of approved contributions made during the tax year, up to \$250,000. Any excess credit, including any amount that would be allowed but for the \$250,000 limit, may be carried forward for up to five tax years. DHCD administers the tax credit application, approval, and certification process. The sum of contributions eligible for the tax credit may not exceed \$3,500,000 for all approved projects for a fiscal year.

#### *Federal Low-income Housing Tax Credit – Generally*

LIHTC provides an incentive for the development and rehabilitation of affordable rental housing. These nonrefundable federal housing tax credits are awarded to developers of qualified rental projects via a competitive application process administered by state housing finance authorities. LIHTCs are first allocated to each state according to its population. State housing agencies allocate credits to developers of rental housing according to federally required, but state created, Qualified Allocation Plans (QAPs). Federal law requires that the QAP give priority to projects that serve the lowest income households and that remain affordable for the longest period of time.

#### *Authority for Local School Boards to Dispose of Surplus Property*

With the approval of the State Superintendent or designee, if a local school board finds that any land, school site, or building is no longer needed for school purposes, it must inform the county commissioners or county council of its determination. The county then has right of first refusal to the surplus property for 30 days. If the county finds that the property is an integral component of an existing economic development plan, the local school board must transfer the property to the county, as specified. If the county has no need for the property, the local school board may dispose of the property according to procedures in State law.

**State Expenditures:** DHCD advises that it requires two additional staff to implement the provisions of the bill, but the Department of Legislative Services (DLS) disagrees.

DHCD advises that the bill creates new and ongoing responsibilities that require one CDA Program Manager to amend DHCD's QAPs and make other updates to LIHTC required by the bill. Additionally, DHCD further advises that the bill creates the need for one Financial Analyst IV to process and administer loans, grants, and other applicable payments authorized by the bill.

DLS disagrees, as additional responsibilities for DHCD under the bill are limited. The bill expands the eligible use of existing programs (some of which terminate in two years) and does not create new funding requirements or funding streams. While the bill requires DHCD to reclassify QAPs, DLS believes this can be done with existing budgeted resources. Therefore, the bill is not anticipated to materially affect State operations of finances.

**Additional Comments:** DHCD advises that the provision designating teachers and other employees of a local school system as a specific group with respect to LIHTC conflicts with Internal Revenue Code regulations requiring public input to shape the populations targeted by LIHTC.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Department of Housing and Community Development; Maryland State Department of Education; Maryland Association of Counties; Maryland Municipal League; Anne Arundel County Public Schools; Baltimore City; City of Annapolis; Wicomico County Public Schools; Department of Legislative Services

**Fiscal Note History:** First Reader - February 3, 2026  
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