



## Memo

To: City Council  
CC: Tracey Nicholson, City Administrator  
From: Jim Chandler, Assistant City Administrator and Director, Community & Economic Development  
Ron Brooks, City Treasurer  
Date: October 26, 2020  
Re: FY2021 Legislative Item – Multi-Family Improvement (Hollingsworth)

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The purpose of this memorandum is to provide the City Council with a staff review of the FY2021 Legislative Item, 'Multi-Family Improvement' submitted by Mayor Candace Hollingsworth.

### Detailed Summary

As part of the FY2021 Legislative Agenda, an item was submitted by Mayor Candace Hollingsworth to create an enabling ordinance to create the, "Multi-Family Improvement Rebate Program" with the provision of the following:

- Offering a rebate of \$1 for every \$2 invested in critical multifamily upgrades and improvements that increase energy efficiency, remediate environmental toxins, improve air quality and circulation, and/or increase reliability of heating and cooling systems, up to \$50,000.
- The Mayor and Council to authorize the cumulative award ceiling for each fiscal year.
- Prioritization for funding of multifamily properties designated affordable and/or for senior and disabled residents.
- Rebate to begin upon commencement of improvement project.

### Staff Analysis & Comments

The Legislative Item was reviewed by the City Administrator, City Treasurer and Director of Community & Economic Development and analysis was performed assessing the following:

- Financial impacts, obligations and capacity;
- Administrative capacity to manage the program;
- External sources of funding;
- Total universe of eligible applicant sites.

### **Financial Impacts affecting the proposed “Multi-Family Improvement Rebate Program”**

- Due to COVID-19 major revenues have decreased in FY21 and the potential loss of revenues in FY22 and FY23 is projected to be \$500K to \$1M annually. These shortfalls in addition to increased debt service and capital expenditures will impact the City’s ability to deliver approved programs and services.
- The program criteria proposes a maximum amount of \$50,000 per unit annually. Based on the number of identified multi-family residential properties operating in the City, the ability to support this program on an annual basis short or long term could be impacted.
- Under the proposal, the Treasurer and City Administrator will make a recommendation to Council each budget cycle. The recommendation to Council will consider the City’s debt service, contractual obligations, programs and services to be funded, and will address affordability to avoid creating a financial hardship or a depletion of cash reserves for the fiscal year.
- To develop the program there will be unknown upfront costs. The costs will support hiring a consultant to design the program, develop qualifications and evaluation criteria and administer the program with staff. If the Council supports the motion, the staff will look for ways to reduce costs by identifying potential grant funding to support the program.
- **Administrative capacity and program/policy goals**
  - The City does not currently maintain a staff position with the background necessary to manage a building energy and maintenance efficiency program.
  - One of the program objectives is to reduce the infrastructure costs burden passed onto the tenant(s). As a result, there will need to be contractual mechanism developed to ensure savings are realized by tenants as well as the inclusion of language to restrict the owner from making improvements solely for the purpose of selling the improved property.
  - In addition to program administration considerations, it will be necessary for the City to assess the existing conditions of an eligible structure seeking funding through the program. At a minimum, a third-party building systems assessment should be commissioned and a pre and post improvement energy efficiency assessment will need to be performed. These are costs that will need to be factored into a grant award and could be either included in the award or required to be paid by the applicant to an agreed upon third-party firm(s). With respect to the program goals and restrictions, it is the Director’s opinion that ‘policy tool’ being developed through this ordinance should be considered as part of and/or aligned with the development City’s commissioned Affordable Housing Strategy.

### **External sources of funds**

- External funding to support this program would be limited to State of Maryland funding through Maryland DHCD’s Community Legacy program and/or Federal CDBG funding administered through Prince George’s County.
- Securing funding through either external funding source would require significant advanced notification to ensure that the City was able to secure commitments from applicants and administer funding within the regulatory timeline for both programs.
- In addition, while the State of Maryland provides some limited resources to single-family households seeking to make weatherization improvements to single-family homes through the US Department of Energy. staff is not aware of funding sources available to make improvements to multi-family structures other than existing incentives available through Pepco’s EmPower Maryland program.

### **Total number of eligible applicant sites**

- There are currently fifty (50) multi-family residential properties licensed by and operated within the City of Hyattsville. The total number of eligible multi-family properties include all properties defined by zoning as multi-family, which includes buildings with as few as four (4) residential dwelling units. Excluding the number of multi-family properties with four or less units brings the total number of eligible applicants to thirty-two (32).
- The total number of properties does not factor the number of buildings and/or structures for each property, which may operate with a single or multiple building systems requiring replacement(s).
- The typical life cycle of multi-family HVAC systems is 15-20 years, with systems lasting as many as 30-years before replacement is required. For the purposes of this analysis, we have included in the total number of units buildings with properties which are less than 15-years old. Excluding the multi-family properties less than 15-years old reduces the total number of eligible multi-family properties to forty-five (45).
  - **Comments: Staff is recommending the sponsor consider modification and/or clarification regarding the intent of the motion as it pertains to qualifying properties and/or buildings. Staff is also recommending additional restrictions in the eligibility requirements, either excluding buildings which are less than 4 units or properties with structures that are less than 15-years or a combination of both, which would reduce the total eligibility to twenty-seven (27). Staff supports the Treasurer and CA making an annual recommendation to the Council based on the City's financial outlook.**