

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 625

(Delegate Amprey)

Environment and Transportation

Education, Energy, and the Environment

Appraisal Gap From Historic Redlining Financial Assistance Program -
Alterations

This bill makes various changes to the existing Appraisal Gap from Historic Redlining Financial Assistance Program within the Department of Housing and Community Development (DHCD). Among other things, DHCD is authorized to issue loans and related financial instruments for eligible projects, and financial assistance may be provided to affordable housing developers in sustainable communities. The bill also repeals the requirement that, on application by specified entities to the program, DHCD *must* provide financial assistance. Instead, the bill requires DHCD to *accept the application* for financial assistance from an individual or business entity that proposes to develop a qualified project. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: The bill's changes do not directly affect State operations or finances. Funding for the Appraisal Gap from Historic Redlining Financial Assistance Program has not been budgeted since the program's enactment.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary/Current Law:

Appraisal Gap from Historic Redlining Financial Assistance Program

Chapters 702 and 703 of 2021 established the Appraisal Gap from Historic Redlining Financial Assistance Program within DHCD. The purpose of the program is to provide financial assistance to affordable housing developers working in low-income census tracts to help close appraisal gaps that occur in historically redlined neighborhoods. *Under the bill*, the purpose of the program is expanded to include providing financial assistance to affordable housing developers working in sustainable communities.

Under current law, in the fiscal year in which a qualified project is completed, an individual or business entity may apply to DHCD for financial assistance to cover the appraisal gap for the project, as specified. *Under the bill*, applicants to the program may apply to DHCD when the qualified project is proposed.

Under current law, the amount of the financial assistance provided must not exceed 35% of the lesser of (1) the total cost of eligible construction expenses or (2) 80% of the national median sale price for new homes on the date of sale, as determined by the most recent census data available. *The bill* repeals the specified amounts, and DHCD must instead develop by regulation an application form and a process for the distribution of financial assistance under the program.

The bill establishes that a qualified project receiving financial assistance under the program must be in compliance with local development and land use plans.

Under current law, “affordable” means that monthly housing costs do not exceed 30% of a household’s income, where the household’s income does not exceed 80% of the statewide median income for a household of like size. *Under the bill*, “affordable” means that monthly housing costs are affordable to a family of limited income, as determined by the Community Development Administration.

The bill also modifies the definition of “eligible construction expenses,” which is currently defined as any amount that is expended on the construction or substantial rehabilitation of a qualified property, including any amount expended on specified acquisition and construction costs and related improvement activities. *Under the bill*, “eligible construction expenses” includes infrastructure and other expenses as determined by the Secretary of Housing and Community Development.

Appraisal Gap from Historic Redlining Financial Assistance Program Report

Chapters 702 and 703 also require DHCD to conduct a study, aggregated by race, zip codes, and census tracts, of housing values, appraisals, and refinancing rates across the State over the past 30 years, including the impact of State and federal policies, such as infrastructure (road, park, and water and sewer) and other investments, on those communities. DHCD was required to submit the findings of the study to the Governor and the General Assembly by June 30, 2022; as of the writing of this fiscal and policy note, the report is not yet available.

Sustainable Communities and Priority Funding Areas

Under current law, a sustainable community is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

Additional Information

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

Designated Cross File: SB 445 (Senator Hayes) - Education, Energy, and the Environment.

Information Source(s): Department of Housing and Community Development; Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2023
js/mcr Third Reader - March 16, 2023

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