

PARITY

SB0445, HB0625

**Appraisal Gap from Historic Redlining Financial Assistance Program
In Support**

February 21, 2023

House: Environment and Transportation

Senate: Education, Energy, and the Environment

I am writing in support of Senate bill SB0445 and House bill HB0625, Appraisal Gap from Historic Redlining Financial Assistance Program.

My name is Bree Jones, and I am the CEO and Founder of Parity Homes. Parity is an equitable development company that removes systemic barriers to create space for people working across intersections to authentically and equitably rebuild historically Black neighborhoods through collective economics. Parity acquires and rehabilitates vacant and abandoned properties in West Baltimore by the block to create affordable homeownership opportunities. At the core of our work is "Development without Displacement". We practice real estate and housing development through a racial equity lens to ensure that people who have been historically disinvested of wealth are able to participate in and benefit from reinvestment into their communities. Parity takes extra steps to prevent unintended displacement of legacy residents by connecting them with legal, financial, and aging-in-place resources.

It is said that Baltimore City is the first city to use racial covenants in land policy starting as early as 1910. The practice of redlining both nationwide and in Baltimore has created an enormous racial wealth disparity, and in Baltimore specifically has resulted in the creation of approximately 16,000 abandoned and blighted buildings located mostly in the "Black Butterfly." 21223 and 21217, where I work, are two of the most economically distressed zip codes in Baltimore. In Harlem Park for example, where Parity is focused, 49.7% of families earn less than \$25K per year, 35% of buildings in the neighborhood are abandoned, and only 28% of occupied homes are owner-occupied. 53% of renters in the neighborhood are rent-burdened, and 41% of homeowners are housing burdened, meaning they pay more than 30% of their income on housing expenses. Moreover, 96% of residents are Black, highlighting Baltimore's long-standing history of segregation and

concentrated race-based poverty. Historic and modern-day redlining and racist land policies have resulted in interconnected social maladies including environmental degradation, food apartheid, meager health outcomes, struggling schools, crime, and poverty. Baltimore is not unique. Prince Georges, Montgomery County, and the Eastern Shore to name a few, are other Maryland counties that have historic and modern-day struggles with redlining, and race-based poverty and loss of land and wealth.

There are typically two trajectories for these distressed neighborhoods. In one case, the community continues to face deterioration indefinitely due to a lack of mission-focused capital. In another scenario, low housing prices attract speculative and predatory investors that pursue development that causes the neighborhood to undergo gentrification and displacement of native residents. We believe there can be a third and more equitable outcome. Parity employs an innovative but simple model to revitalizing hyper-distressed neighborhoods by creating pathways for existing and new residents to collectively buy homes together on a block by block basis as a means of community building, wealth building, and social justice. Despite our initial success, the work is incredibly difficult because of the presence of what we call the “appraisal gap.” The appraisal gap is a unique phenomenon in historically redlined communities in which the cost of development to renovate a deeply distressed building (the remnants of race-based disinvestment) exceeds the appraised after-repair value of the building, and exceeds a price at which that house can be made affordable to existing residents.

There are three reasons why housing valuations are divergent from construction costs. First, construction costs are steadily rising, and the scope of rehabilitation is substantive (new roof, floor joists, masonry, foundation, walls, structural repairs, lead and asbestos remediation, framing, and mechanical, electrical, and plumbing systems). Second, banks use market comps and appraisals to determine the value of a home before originating a mortgage against it. In historically redlined neighborhoods, there is often little to no market activity of renovated housing stock to justify market comps sufficient to meet the cost of construction. Moreover, it is precisely because of redlining that housing in historically Black neighborhoods have been stripped of value. Third, it’s important that livable housing stock in historically redlined neighborhoods remain attainable and affordable for existing residents. A rapid increase in home values would create an adverse affordability shock that would devastate already vulnerable populations.

The presence of this gap severely stunts any market activity and makes housing development in the Black Butterfly and similar communities in greater Maryland next to impossible. Myself and Senator Hayes have convened a coalition of mission-driven equitable housing development companies and community organizations that are working tirelessly each day to create affordable access to housing across the state. The

response has been overwhelming and unequivocally clear that there must be an intentional pool of capital designed to heal historic harms, and revive healthy communities across the state. The Appraisal Gap from Historic Redlining Financial Assistance Program would do just that.

For these reasons, I request a favorable report of SB0445 and HB0625. I genuinely hope that you consider this bill as an innovative way to create an inclusive Maryland where prosperity can be attained by all.

Warm regards,

Bree Jones
CEO & Founder
Parity Baltimore Incorporated

A handwritten signature in black ink, appearing to read "Bree Jones", with a small "23" written above it.

(914) 484-3130
bree@parityhomes.com