

HB1239:
Department of Housing and Community Development – Appraisal Gap From Historic
Redlining Financial Assistance Program – Establishment

Tuesday, March 2, 2021
Environment and Transportation Committee

Dear Chair Barve, Vice Chair Stein, and colleagues on the Environment and Transportation Committee:

On behalf of Southeast Community Development Corporation (Southeast CDC), I write today in support of HB 1239, Appraisal Gap From Historic Redlining Financial Assistance Program, which makes financial assistance available to affordable housing developers to help cover the appraisal gap that occurs in low-income census tracts.

Southeast CDC is a 45-year-old community development organization that revitalizes neighborhoods and strengthens homeownership in partnership with residents in Southeast and East Baltimore. We are dedicated to growing and supporting thriving, socioeconomically and racially diverse neighborhoods where residents share in the success and improvement of their communities.

We are currently acquiring, rehabilitating, and re-selling single-family homes in neighborhoods that have experienced predatory investment, vacant and blighted properties and declining homeownership. In some areas, the homeownership rate has dropped by almost 40%, representing a significant loss of Black homeownership. The purpose of our program is to increase homeownership opportunities, with a preference of selling rehabbed homes to current neighborhood renters at an affordable price. Our program offers families stability and the chance to build wealth.

To undertake this development work, we are required to raise significant subsidy from private and public sources as the construction costs for these projects exceed the resale value of the property. In Ellwood Park, for example, we recently acquired a vacant home with significant fire damage. A gut renovation, we are paying \$125 per square foot in construction costs to rehabilitate and bring the house back to a livable condition. The total costs to our organization to acquire and renovate the property amount to approximately \$182,000. However, the Ellwood Park real estate market only supports home sales of about \$110,000 to \$150,000. In this particular instance, we will incur a financial loss of over \$30,000. To be made financially whole, we must fundraise additional financial support from outside sources or risk sustaining financial losses to our organization.

It is Southeast CDC's mission to promote a healthy, dynamic and diverse Southeast Baltimore where residents share in the success and improvement of their communities. For Southeast

Baltimore to truly thrive in a way that provides equal outcomes for all residents, we must increase programs that grow homeownership and create wealth for minority households and revitalize communities through targeted investments in homeownership, especially for the residents who currently live in these communities. This work is not possible, however, without additional funding sources being made available to address the appraisal gap of homeownership redevelopment.

For these reasons, I request a favorable report on **HB1239**.

Sincerely,

Kari Snyder
Executive Director
Southeast Community Development Corporation