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Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

DAVID R. BRINKLEY
Secretary

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Deputy Secretary

HOUSE BILL 1239 Department of Housing and Community Development – Appraisal Gap from Historic Redlining Financial Assistance Program – Establishment (Lierman)

STATEMENT OF INFORMATION

DATE: March 2, 2021

COMMITTEE: House Environment & Transportation

SUMMARY OF BILL:. HB 1239 mandates an annual appropriation in the amount of $4 million in the Department of Housing and Community Development (DHCD), the purpose of which is to make financial assistance available to affording housing developers working in low-income census tracts (in sustainable community designated areas) in order to help close appraisal gaps that occur in historically redlined neighborhoods. "Appraisal gap" is defined as the cost of construction expenses exceeding the contract sales price upon initial sale to an owner-occupant. Affordable housing is defined as household income that does not exceed 80% of the State's median income and the monthly housing cost does not exceed 30% of the monthly income.

EXPLANATION: DHCD currently has the ability based on funding availability to provide financial assistance to nonprofits through the Baltimore Regional Neighborhood Initiative program for this purpose. The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the mandated increase in funding for this program.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which requires spending allocations for FY 2022 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2020.

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. Federal stimulus programs are providing much needed relief, but the impact of the COVID-19 pandemic continues to present a significant budgetary vulnerability.

The General Assembly and Administration have successfully enacted the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (SB 496 RELIEF Act), which provides $1.1 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic. It is incumbent upon us to allow the impact of this unprecedented relief package on the State's economy to take effect. Further mandated spending increases need to be reevaluated within the context of an ongoing pandemic.

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