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MAYOR

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**HB 1239**

March 2, 2021

**TO:** Members of the Environment and Transportation Committee

**FROM:** Natasha Mehu, Director of Government Relations

**RE:** HOUSE BILL 1239– Department of Housing and Community Development – Appraisal Gap From Historic Redlining Financial Assistance Program – Establishment

**POSITION: SUPPORT**

Chair Barve, Vice Chair Stein and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** House Bill 1239.

HB 1239 would establish financial assistance that would cover the gap between what it costs to build or redevelop a home and what it can be sold for. This appraisal gap is one of the most critical obstacles to homeownership in the City and is most prevalent in communities that have been historically redlined and disinvested. It is an established fact that homeownership is one of the effective paths to creating intergenerational wealth, and providing funding to cover the gap between construction costs and what the market will bear will make owning a home a reality for hundreds of city families.

Baltimore is fortunate that developers working in its historically disinvested communities would meet the legislative requirement of being located both in a low-income census tract and as a State Sustainable Community. Many of these developers are themselves small, minority-owned start up businesses who, because they are undertaking their initial projects, lack the track record necessary to access other sources of funding. Through its Community Catalyst Grants program, the City's Department of Housing and Community Development has begun to address the lack of capital and appraisal gap but is limited in the support that can be provided. A State Appraisal Gap program would leverage City and other resources, significantly increasing the number of vacant and under-utilized properties that can increase the City's tax base.

HB 1239 limits sales to households earning a maximum of 80 percent of the Area Median Income and limits the maximum amount of funds to 35 percent of the Appraisal Gap or

80 percent of the National Median Sales price. Baltimore City supports both of these conditions, first to maximize and leverage the amount of funds that can be used to support homeowners, and second because families earning 80 percent or less of the Area Median Income are the most excluded from becoming homeowners due in large part to the Appraisal Gap.

We respectfully request a **favorable** report on House Bill 1239.