

SB445 Testimony.pdf

Uploaded by: Antonio Hayes

Position: FAV

ANTONIO HAYES
Legislative District 40
Baltimore City

Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Testimony of Senator Hayes in Support of Senate Bill 445:
Appraisal Gap From Historic Redlining Financial Assistance Program - Alterations
February 21, 2023**

Chairman Feldman and members of the Education, Energy, and the Environment Committee,

In 2021, Senate Bill 859 passed which established the Appraisal Gap From Historic Redlining Financial Assistance Program. The purpose of this program is to provide financial assistance to affordable housing developers working in low-income census tracts in order to help close “appraisal gaps” that occur in historically redlined neighborhoods. It allows an individual or business entity that incurs “eligible construction expenses” related to the construction or substantial rehabilitation of residential property in low-income areas to apply for financial assistance.

Senate Bill 445 seeks to strengthen the original bill by redefining what “affordable” means in reference to how much a family pays in housing costs to the IRS definition so that it allows younger people without much capital, and a limited income, to be able to apply for this program. Right now, the Appraisal Gap program does not allow its financial assistance to be used on loans or grants and requires applicants to wait until the fiscal year when the project is complete to receive funding. This amendment also seeks to expand how the financial assistance can be used and push the application timeline up so the program works better for smaller developers and younger individuals who may not have the capacity to pay out of pocket and wait for capital assistance.

Again, the proposed amendments in this bill will allow the Appraisal Gap program to expand so that more people and developers can invest in our neighborhoods.

I urge you to vote favorably on SB445.

Respectfully,

A handwritten signature in blue ink, appearing to read "Antonio L. Hayes".

Senator Antonio L. Hayes
40th Legislative District – MD

CDN SB445 FAVORABLE.pdf

Uploaded by: Claudia Wilson Randall

Position: FAV



Testimony SB 445

Education, Energy, and the Environment Committee

February 21, 2023

Position: FAVORABLE

Dear Chairman Feldman and Members of the Education, Energy and Environment Committee

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all neighborhoods are thriving and where people of all incomes have abundant opportunities for themselves and their families.

SB 445 - Expands the forms of financial assistance available under the Appraisal Gap from Historic Redlining Financial Assistance Program; altering eligibility requirements for projects that may receive financial assistance under the Program; altering the time period when applications may be submitted under the Program; repealing certain restrictions on the amount of financial assistance that may be provided under the Program; etc.

Many historically disinvested black communities throughout the state have seen their housing markets decimated and have been unable to attract new residents for home ownership. The key reason that potential investors are reluctant to put money into buying and fixing up houses in these areas throughout the state is because the properties later don't appraise high enough to reflect the improvements. In fact, rehabbed properties often appraise for less than the value of the home plus the improvements, discouraging future buyers to invest in the community.

In 2021, the Maryland General Assembly passed legislation that created a public funding tool to address the stubbornly problematic appraisal gap in historically redlined and disinvested neighborhoods across Maryland. This legislation removes restrictions of the original legislation and allows for greater flexibility for applications timing and uses. The communities most in need require these changes to meet the variety of needs.

We respectfully request a favorable report for SB 445.

Submitted by Claudia Wilson Randall, Executive Director

SB445 Appraisal Gap (004).pdf

Uploaded by: Dan Ellis

Position: FAV



Neighborhood Housing Services of Baltimore, Inc.

February 17, 2023

Senator Brian J. Feldman
Education, Energy, and the Environment Committee
Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 445

Position: SUPPORT

Dear Chairperson Feldman and Members of the Committee:

I am the Executive Director of Neighborhood Housing Services of Baltimore. NHS, a non-profit working in Baltimore City, believes that social and economic justice are a right for all people and all communities, and that they deserve the opportunity for decent housing and financial stability for their families. We promote this belief by offering housing counseling, financial coaching, affordable loans to low- and moderate-income customers, conducting acquisition and renovation on vacant properties, community engagement, and helping money flow into historically disinvested communities.

As a non-profit developer working in West Baltimore, NHS is often confronted with properties where the construction cost exceeds the sale price of the home. One example of this problem is 3007 Walbrook Ave. This house cost \$277,441 to purchase and build. The home sold for \$233,000, which resulted in an appraisal gap of \$44,441. This gap was closed on this home using a federal program that isn't often available to developers. There is significant need for a sustainable program to address this issue around the state. A recent report released by the Maryland Department of Housing and Community Development showed that our state has a need for an additional 120,000 affordable housing units. As a state we need to be aggressively creating and preserving both rental and homeownership units. Significant amounts of research indicate that homeownership is one of the best wealth building tools available to families. Each year NHS helps over 300 families purchase homes through our homeownership center by providing housing counseling and lending services. As prices have increased significantly over the past 5 years many first time home buyers have not been able to find affordable homes to purchase.



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The Appraisal Gap From Historic Redlining Financial Assistance Program will result in additional units being available for homeownership while also providing a tool to help address the needs of communities impacted by vacant properties. The program can also be used to construct new homes for affordable homeownership allowing it to be effective across the entire state.

SB445 clarifies the appropriate use of funds within the program providing flexibility to the Department of Housing and Community Development to meet the needs of the entire state. It is critical that we create a flexible program with strong funding to address the needs of our state.

We request a **favorable** report on SB445.

Sincerely



Daniel T. Ellis
Executive Director

SB0445 - SUP - GR23.pdf

Uploaded by: Drew Jabin

Position: FAV



**SB 445 – Appraisal Gap From Historic Redlining Financial Assistance Program -
Alterations**

Committee: Senate Education, Energy, and the Environment Committee

Date: February 21, 2023

Position: Support

The Maryland Bankers Association (MBA) **SUPPORTS** SB 445, which would expand financial assistance and eligibility requirements under the previously established Appraisal Gap From Historic Redlining Financial Assistance Program, therefore allowing for greater participation.

The Appraisal Gap From Historic Redlining Financial Assistance Program aims to assist affordable housing developers working in historically redlined communities in closing appraisal gaps. Maryland’s banks oppose discrimination in any form and recognize the negative role redlining played in preventing communities of color from building wealth through homeownership.

Banks across the State and country have made significant commitments to expand their support for programs and initiatives that promote racial equity and economic empowerment for communities of color while creating more inclusive opportunities for success, including partnering with community development financial institutions (CDFIs) to invest in the communities they serve.

MBA supports policy initiatives that aim to increase equitable, sustainable, and affordable wealth building opportunities in all communities. Accordingly, MBA urges issue a **FAVORABLE** report on SB 445.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 30,000 Marylanders and holding more than \$181 billion in deposits in over 1,000 branches across our State. The Maryland banking industry serves about 4 million customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

SB445 FAV Testimony, DHCD.pdf

Uploaded by: Hunter Pickels

Position: FAV

DATE: February 21, 2023

BILL NO.: Senate Bill 445

COMMITTEE: Senate Education, Energy and the Environment Committee

TITLE: Appraisal Gap from Historic Redlining Financial Assistance Program - Alterations

SPONSORS: Sen. Hayes

Letter of Support

Description of Bill:

Senate Bill 445 would bring the Appraisal Gap from Historic Redlining Financial Assistance Program's "affordable" definition in line with existing definitions for limited income families, add the "sustainable community" definition to eligibility requirements, allow nonprofits to be eligible applicants, and allow additional input from local governments to specify areas of priority investments while expanding the list of eligible construction expenses to include infrastructure.

Background and Analysis:

With the passage of Senate Bill 859 and House Bill 1239 in the 2021 General Assembly session, the Appraisal Gap from Historic Redlining Financial Assistance Program was created within the Maryland Department of Housing and Community Development. The program provides financial assistance to affordable housing developers working in low-income census tracts in order to help close "appraisal gaps" in home values that often occur in historically redlined neighborhoods.

Because of decades of disinvestment as a result of policies that geographically reinforced racial segregation, property values for homes in these communities are significantly less than comparable properties in other areas. While these properties present opportunities for homeownership that will stabilize neighborhoods, they are often in disrepair. The appraisal gap further exacerbates disinvestment as the cost to rehabilitate these properties is significant in comparison to their appraised value, discouraging redevelopment opportunities.

The program was created to counteract the costs of rehabilitating these properties to revitalize housing stock and provide homeownership opportunities desired by local residents. Through the program, an individual or business entity that pays or incurs "eligible construction expenses" related to the construction or substantial rehabilitation of residential property in low-income areas to create affordable housing may apply for financial assistance. By supporting the rehabilitation costs, the program removes a major barrier to reclaiming these properties and making them attractive and viable as both an investment for affordable housing developers and sustainable homeownership for local residents.

Senate Bill 445 would update the program statute to synchronize State of Maryland definitions based on HUD and IRS requirements, expand eligible expenses, and provide localities with increased input on priority investment areas. Specifically, it will update the "affordable" definition to bring it in line with the IRS definition of limited income families, a requirement for the use of private, tax-exempt bonds for

mortgage financing. It would add the “sustainable community” definition to the Fund’s eligibility requirements and allow nonprofits as eligible applicants which aligns program requirements with other existing State of Maryland revitalization programs. It would additionally allow input from local governments to specify areas of priority investments and expand the list of eligible construction expenses to include infrastructure which increase feasibility for projects in areas most in need of investment. Furthermore, this update would help the program align with requirements of other future federal legislation that may be passed out of Congress in the near future, including the Neighborhood Homes Investment Act.

DHCD Position

The Appraisal Gap from Historic Redlining Financial Assistance Program represents a concerted effort to reduce and reverse the results of historic policies that contributed to ongoing disinvestment in redlined communities. By clarifying definitions, expanding eligible uses, and increasing local input, this legislation will enhance the program, making it a more effective tool to achieve its stated goals. For these reasons, the Maryland Department of Housing and Community Development respectfully requests a **FAVORABLE** report.

SB445_Economic Action Maryland_FAV (2023).pdf

Uploaded by: Isadora Stern

Position: FAV



**Testimony to the Senate Education, Energy, and the Environment Committee
SB445: Appraisal Gap From Historic Redlining Financial Assistance Program - Alterations
Position: Favorable**

February 21, 2023

The Honorable Brian J. Feldman, Chair
Education, Energy, and the Environment Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Education, Energy, and the Environment Committee

Honorable Chair Feldman and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing in support of SB445.

In 2021, the General Assembly passed HB1239/SB859, sponsored by now Comptroller Leirman and Senator Hayes, which took effect in May of 2021. This legislation created the Appraisal Gap From Historic Redlining Financial Assistance Program in the Department of Housing and Community Development. The program was created with the purpose of making financial assistance available to affordable housing developers working in low-income census tracts in order to help close appraisal gaps that occur in historically redlined neighborhoods and report on the funding for census tracts with a majority racial minority population. This pool of financial assistance encourages the development of homeownership opportunities for low-income households in vulnerable communities.

Many of these communities are historically disinvested black communities across the state with housing markets suffering from years of systemic divestiture. The Appraisal Gap From Historic Redlining Financial Assistance Program addresses the key reason potential investors are reluctant to put money into buying and fixing up houses in these areas; rehabbed properties later do not appraise high enough to reflect the improvements.¹

Despite the passage of the Fair Housing Act and the Community Reinvestment Act, houses in predominantly black communities have been generally appraised at lower values than houses in majority white communities and applicants of color are 1.8 times as likely to be denied for a home improvement loan than their white counterparts.² In 2022, 74.6% of White households owned their homes, compared with 45.3% of Black households. This gap is even larger in Baltimore where the white homeownership rate is 76.3%, while the Black homeownership rate is 46.2%.³ Both the national gap and the gap between white and Black homeownership rates in Baltimore is wider now than it was in 1960, when housing discrimination was rampant and legal.

Economic Action Maryland and Angela Banks, a member of Baltimore's Poppleton community, have filed an administrative complaint with HUD against Baltimore City, Mayor Brandon Scott, and the City Council for consistent violations of the Fair Housing Act.⁴ The complaint states the City's redevelopment policies have violated the Fair Housing Act by displacing Black residents of Poppleton from the neighborhood and into more deeply segregated

¹<https://www.freddiemac.com/research/insight/20210920-home-appraisals#:~:text=For%20example%2C%2012.5%25%20of%20the.the%20appraisal%20valuation%20gap%20increases.>

² <https://www.ncrc.org/starved-significant-mortgage-lending-disparities-still-persist/>

³ <https://www.marylandmatters.org/2022/10/15/black-families-fall-further-behind-on-homeownership/>

⁴ <https://bit.ly/PoppletonComplaint>



parts of Baltimore City as well as out of the city entirely. This complaint demonstrates the need for continued oversight of funding and development in Sustainable Communities.

SB445 expands the Appraisal Gap From Historic Redlining Financial Assistance Program by including additional eligible construction expenses, forms of financial assistance, eases the application project, and expands the amount of financial assistance that may be provided under the Program. This is a common-sense bill that improves the functionality of a vital program.

For these reasons, we support SB445 and urge a favorable report.

Best,

Isadora Stern
Policy Manager

SB_445_2023_Habitat_MP.pdf

Uploaded by: Mike Posko

Position: FAV

Testimony
SB 445
Education, Energy, and the Environment Committee
February 21, 2023
Position: FAVORABLE

Dear Chairman Feldman and Members of the Education, Energy and Environment Committee:

Habitat Chesapeake builds homeownership affordability in Central Maryland, with nearly 800 homes having been built and settled with affordable mortgages for families within Anne Arundel County, Baltimore City, Baltimore County, and Howard County over our forty-year history in the region. Our model for partnership starts with a unique connection with our homebuyers; they aid in building their own homes and otherwise undertake 250 hours of hours in “sweat equity” and a fifty hour homeowner education curriculum. We also partner with volunteers, and donors and supports in both the public and private sphere in order to build homes and equip first-time homebuyers with tools needed for their success, beginning with a zero-interest mortgage and then the assurance of a monthly mortgage payment that will not exceed 30% of their household income.

In order to make affordable homeownership possible for hundreds in Central Maryland, we cover two gaps: the first is the gap between what it costs to build the home and its appraisal. The second is the gap between our homebuying partner’s affordable mortgage payment and the actual total of the appraised value of the home.

While the Habitat model is distinct within the affordable housing community, it shares the concerns and burdens regarding the increasingly high cost to build—and the reality of how investing in historically disinvested communities creates an immediate gap between cost to build and appraisal amounts—with other developers and community organizations. The will to create opportunity for homeownership at lower income ranges would be greatly amplified and ensured to become a reality in production of homes if the ability to do so were aided by funding for the Appraisal Gap. The fact is that there is very little ability to provide for affordable homeownership without addressing the reality of the shortfall between the cost to build and home appraisals.

HB 625 - Expands the forms of financial assistance available under the Appraisal Gap From Historic Redlining Financial Assistance Program; altering eligibility requirements for projects that may receive financial assistance under the Program; altering the time period when applications may be submitted under the Program; repealing certain restrictions on the amount of financial assistance that may be provided under the Program; etc.

In 2021, the Maryland General Assembly passed legislation that created a public funding tool to address the stubbornly problematic appraisal gap in historically redlined and disinvested neighborhoods across Maryland. This legislation removes restrictions of the original legislation, which would make access to funds in order to establish homeownership for low to moderate income households possible in a way that is rare, or not achievable now.

Homeownership is key in rebuilding and stabilizing communities across the state, and is the key factor for establishing a path toward greater financial stability for families. It is the single largest factor in creating financial equity and the potential for intergenerational wealth for our state's families, and the crucial element in wealth creation with an eye toward racial equity. We see funding this bill as a major step toward creating homes for families in Maryland.

We respectfully request a favorable report for SB 445.

Sincerely,



Mike Posko,
Chief Executive Officer

Druid Heights CDC Testimony.SB 445 .pdf

Uploaded by: Ms. JohnDre Jennings

Position: FAV



DRUID HEIGHTS
Community Development Corporation

Druid Heights Community Development Corporation

2140 McCulloh Street Baltimore, Maryland 21217

Testimony

SB 445

Education, Energy and the Environment

Position: Support

FEBRUARY 20, 2022

Dear Members of the Education, Energy and the Environment:

Druid Heights Community Development Corporation (DHCDC) is a community-based, 501 (c)(3) non-profit community development corporation. DHCDC is located in zip code 21217 in Baltimore City, within Census Tract 1403 a designated Urban Renewal Area. Our mission is to cause, encourage and promote community self-empowerment, through the development of economic, educational, employment, and affordable housing opportunities.

SB 445 - Expands the forms of financial assistance available under the Appraisal Gap From Historic Redlining Financial Assistance Program; altering eligibility requirements for projects that may receive financial assistance under the Program; altering the time period when applications may be submitted under the Program; repealing certain restrictions on the amount of financial assistance that may be provided under the Program; etc.

Many communities are historically disinvested black communities across the state that have seen their housing markets decimated and have been unable to attract new residents for home ownership. The key reason that potential investors are reluctant to put money into buying and fixing up houses in these areas throughout the state is because the properties later don't appraise high enough to reflect the improvements. In fact, rehabbed properties often appraise for less than the value of the home plus the improvements, discouraging future buyers to invest in the community.

In 2021, the Maryland General Assembly passed legislation that created a public funding tool to address the stubbornly problematic appraisal gap in historically redlined and disinvested neighborhoods across Maryland. This legislation removes restrictions of the original legislation. This change will assist the Druid Heights community in making sure that there are equitable appraisals within urban communities. As we continue to assist with creating affordable homes for low to moderate income families, stabilizing vacant units and transforming green spaces to eliminate blight in West Baltimore.

JohnDre Jennings, Executive Director

SB0445-EEE-FAV.pdf

Uploaded by: Nina Themelis

Position: FAV



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB0445

February 21, 2023

TO: Members of the Senate Education, Energy and Environment Committee

FROM: Mayor Brandon M. Scott, City of Baltimore

RE: Senate Bill 445 - Appraisal Gap from Historic Redlining Financial Assistance Program - Alterations

POSITION: Support

Chair Feldman, Vice Chair Kagan, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 445.

SB 445 would amend the definition of affordable by changing the eligibility requirements from those that “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” and replaces them by giving the Secretary the ability to establish the upper income limits for a family of limited income. The change is intended to make the program easier to address target areas intended for impact. It would benefit the city’s housing efforts both in Impact Investment Areas and middle market areas to have the flexibility to support households earning up to 120% of the AMI. The administration supports this alteration, by limiting funds to 80% we may not build household wealth particularly among middle income and workforce households.

The program is intended to 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 startup 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. The 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.

For these reasons, I respectfully request a **favorable** report on SB 445.

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<https://mogr.baltimorecity.gov/>*

Support for HB625 SB445.pdf

Uploaded by: Sean Closkey

Position: FAV

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.

Baltimore has a well-documented history of disparate treatment of neighborhoods and communities based on race. The “quarantining of Baltimore’s black population in isolated slums” was long the norm, first formally pioneered in Baltimore in 1911 when the City Council passed “the first housing segregation ordinance directed at Black people.” This continued through the 1930s when the Federal Housing Administration institutionalized practices that furthered segregation and disinvestment. According to the Urban Institute, “neighborhoods [in Baltimore] that are less than 50 percent African American receive nearly four times the investment of neighborhoods that are over 85 percent African American.”¹

85% of the vacancy problems in the City of Baltimore defy long-standing redevelopment interventions because, unlike the appraisal gap funding approach, existing programs are not geared towards resolving the underlying market weakness at the root of ongoing disinvestment. The essential truth of Baltimore’s weak market dilemma is that about nine in ten of Baltimore’s vacant properties are in neighborhoods most impacted by persistent poverty and by racial segregation. In these parts of Baltimore, vacancy never just goes away; because vacancy is the result of disinvestment, not its cause.

ReBUILD Metro’s experience demonstrated when the appraisal gap is consistently funded, vacancy drops, and reinvestment increases exponentially. Over the past 15 years, we have redeveloped over 450 abandoned properties in long-distressed East Baltimore neighborhoods. By using both public and private funding (similar to that proposed by SB0445, HB0625), we have eliminated 85% of the vacant properties, area murdered was cut by 50%, the population increased by 45%, and stronger market conditions created approximately \$50 million of wealth for local homeowners. All of this was accomplished without displacing families and maintaining the community’s racial composition, which remains 93% Black.

These types of results can be achieved in other formerly redlined areas if the proper funding and support of Senate bill SB0445 and House bill HB0625 is approved.

Sincerely,



Sean Closkey
President

¹ Urban Institute (2019), ‘The Black Butterfly:’ Racial segregation and investment patterns in Baltimore. (<https://apps.urban.org/features/baltimore-investment-flows/>). See also “The Fruits of Government Sponsored Segregation by Richard Rothstein (2015) Working Economics Blog, Economic Policy Institute (<https://www.epi.org/blog/from-ferguson-to-baltimore-the-fruits-of-government-sponsored-segregation/>)