



BRANDON M. SCOTT
MAYOR

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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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