



Bringing people together to build homes, communities & hope

Testimony
SB 342
Ways and Means Committee
January 23, 2024
Position: Favorable

Dear Chair Guzzone and members of the Budget and Taxation Committee:

For 40 years, Habitat for Humanity of the Chesapeake has been a catalyst for moving low-income families out of poverty toward more prosperous, stable futures through affordable homeownership. By bringing people together to build homes, communities, and inspire hope, we settled 789 families into energy-efficient, affordable homes with zero-interest mortgages. This positively impacted the lives of more than 3,000 partner family members (more than half of whom are children), involved more than 1,200 volunteers annually and impacted hundreds of other community residents who benefit from safer, more vital communities as homeownership rates increase.

Our key services include:

- Home Construction and Rehabilitation
- Homeowner Services
- HabiCorps, Workforce Development
- Financial Literacy Education
- Credit Remediation
- Tax Preparation
- Volunteer Engagement
- Community Engagement
- Community Revitalization
- ReStore, a Social Enterprise

During the next year, Habitat Chesapeake will work on 16 homes, some of them new construction, and rehabilitate properties that stand vacant or abandoned in Baltimore area neighborhoods including Milton-Montford, Sandtown, and Curtis Bay.

We know that homeownership is one of the most effective means for ensuring progress for first-time and first-generation homebuyers. It also provides tremendous benefit for our city and entire state.

Our work to ensure affordability for our homeowners, who fall within the 30-80% AMI for the region. The average household income for one of our buyers is currently around \$45,000.



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The way that we achieve an affordable mortgage for our homebuyers relies on our ability to cover two gaps. The first gap between the cost of construction and the appraised value for the home. The second in ensuring affordability by covering any gap that might remain between the appraised value and our homeowner's capacity to pay a mortgage successfully. As a result, payments are limited to 30% of family income through use of second mortgages.

Property taxes are a key line item in establishing a homeowner's affordable monthly mortgage payments. In the face of what has been a hot housing market over the past couple of years with increase tax-burden, fewer and fewer people will have access to wealth-building homeownership designed in part to close the minority homeownership gap.

Because local and state property taxes are a key element in the long-term affordability for our homeowners, the recent uptick in appraisal amounts in neighborhoods where we build has become a critical issue in our ability to serve more families.

For example, we recently had two homes appraised in the Washington Village-Pigtown neighborhood. There we built 42 affordable homes over decades. Recently completed new homes both appraised in the range \$250-260,000. These are properties we expected to be value around \$165,000.

For one participating homebuyer who was squarely at 50% of AMI, this unexpected, large leap in appraisal value and resulting property tax increase has had a huge impact on affordability. The taxes alone may undermine access for a worthy first-time homebuyer.

All of us who care about the health and wealth of our neighborhoods welcome an increase in home appraisal amounts, of course. However, for those potential low to moderate income homebuyers, taxes alone can mean the difference between being able to purchase a home or not. It is for this reason—making affordable homeownership accessible—that we support SB 342 and the pathway it could provide greater affordability for homeowners at or below the income limit stated in the bill.

This would provide a real means for the State to meet its goal for increasing the number of our citizens who are homeowners, closing the minority homeownership gap, and creating equitable revitalization.

We favor enlarging access to affordable homeownership for low- to moderate-income homebuyers as an essential strategy for equitable revitalization. Such investments will pay great dividends for Baltimore and the State of Maryland. We hope that the Committee will look favorably upon this bill, as it may provide a real solution to some of the consistent problems of attracting, and retaining, ownership within the city.

Sincerely,

A handwritten signature in blue ink that reads "Leila Kohler-Frueh".

Leila Kohler-Frueh, Director of Community Engagement