

February 13, 2024

The Honorable Vanessa Atterbeary
Ways & Means Committee
House Office Building, Room 131,
6 Bladen St., Annapolis, MD, 21401

RE: HB131- State Transfer Tax- Rates and Distribution of Revenue- Alterations

Dear Chair Atterbeary

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB131- State Transfer Tax- Rates and Distribution of Revenue- Alterations**. MBIA **Opposes** the Act in its current version.

This bill would alter the Transfer Tax rate and changes the distribution of the transfer tax revenue. While this bill does lower the transfer tax for properties that are under \$400,000 it increases the rate for all other properties. The median price of a house in Maryland is currently \$411,200. However, this is much higher in certain parts of the state. This will make homeownership even more challenging for many Marylanders. According to the National Association of Homebuilders for every \$1000 increase in the price of a home, 2,881 Marylanders are priced out of the home. This act, on top of increased interest rates will make it even more challenging for people to purchase homes.

Lastly, due to the housing shortage in Maryland which is currently at 96,000 units, we should be doing whatever we can to encourage new housing and not making it more expensive to build. This bill will increase the transfer tax for multi-family projects and will only exacerbate the affordability issue we are currently facing in Maryland. This will translate in to increased rents as the cost often gets passed on. For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Ways & Means Committee

MARYLAND IN CRISIS

Maryland is experiencing an unprecedented housing shortage

A limited supply of land, a shortage of skilled labor, increased regulation, increasing material costs and rising interest rates are all contributing to higher home prices and rents. The result? Marylanders are struggling to afford one of the most basic human needs — shelter.



"Maryland is the 8th least affordable state in the US for housing costs"

Jake Day, the Maryland secretary of Housing and Community Development



FACTS



Maryland is short at least 96,000 housing units.

This will increase by 5600 units a year if no action is taken

Restricting housing supply in high-productivity cities leads to an increase in property values, and it is therefore in the rational self-interest of current property owners to seek such restrictions. However, the social costs of these private gains are immense, particularly when one considers higher-income neighborhoods have greater access to a range of benefits, including quality public schools, better government services, healthier environments, and more green spaces. Restricting the ability of people to move into these communities also exacerbates the defacto racial and class segregation created and reinforced by 20th-century urban development and housing policies.



An acre increase in minimum lot size = **36 % reduction** in the number of new housing units



The price of rental housing increases 2.3% for every new regulation



A residential parking spot costing \$24,000-\$34,000 **increases rent by 17 %**

"We must address the housing crisis at its source: Withering supply"

Maryland Governor, Wes Moore

Home prices have risen nationally, since 2019. Both the Forbes Advisor Index and Missouri Economic Research and Information Center Index place Maryland among the states with the highest cost of living. The median home price in Maryland was \$411,200 compared to the national median home price of \$348,600 in 2022. The cost of housing is impacted by housing inventory. Between 2019 and 2022, the housing inventory dropped between 40% and 75% in every county (57% on average, statewide) while median home prices increased 27% statewide

HOUSING IN CRISIS

Regulations imposed by all levels of government account for \$93,870, or 23.8% of the current average sales price of a new single-family home

Visit marylandbuilders.org for more information