COMMUNITY DEVELOPMENT
NETWORK OF MARYLAND

Testimony
HOUSE BILL 942
Ways and Means Committee
February 20, 2025
Position: FAVORABLE

Dear Chair Atterbeary and Members of the Ways and Means 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.

HB 942 – Would permit Community Development Administration within the Department of Housing and Community Development (State Housing Finance Agency) to issue bonds for certain noncontiguous areas as development districts.

As home values declined and construction costs increased, the market value of homes was lower than the cost to renovate. This is why in many areas of the state, community development actors struggle to acquire and redevelop properties across the state. The numbers don't work if you can't sell properties for what you invested. The "Appraisal Gap" is a big issue. How is it possible to sell a home for $200,000 when it costs $285,000 to redevelop?

Wages and housing are simply out of sync in our state. Maryland is currently the 9th least affordable state in the U.S. according to the National Low Income Housing Coalition. You need household income of more than $75,000 to afford a two-bedroom apartment. Too many jobs simply do not pay enough to meet this standard. Teachers, Fire Fighters nor X-ray technicians have an adequate salary to afford homes in Maryland. Further, the Maryland Housing Needs Assessment completed in 2021 by the , Maryland Department of Housing & Community Development showed that Maryland was short more than 100,000 affordable homes. **We are going to need new tools to address the gap appraisal and the shortage of affordable homes in Maryland.**

The proposed tool is defined as non-contiguous Tax Increment Financing ("TIF"). This form of financing would exclude all existing homes that are currently paying taxes. It eliminates the main objection to TIF's, which is the city is deprived of increased tax revenue from its existing base of taxpaying residents. By using non-contiguous TIF bonds ("NCTB's"), the costs of reimaging a community falls to those homeowners who buy homes that were funded using NCTB's.

The owner of a new home benefits from reimbursement to the developer of roughly $60,000 (the appraisal gap) in construction costs through the issuance of NCTB's. Asking the homeowner to pay the standard city tax rate seems a reasonable proposition. Any home in the TIF would not be eligible for ANY tax benefits or tax reduction programs currently offered by the local jurisdiction.

By using a non-contiguous TIF both DHCD and the Department of Planning can play central roles in the planning of community's redevelopment. Smaller jurisdictions can used the state's bod authority to further their needs.

We urge your favorable report on House Bill 942.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network