Jared Solomon
Legislative District 18
Montgomery County

Government, Labor, and
Elections Committee

Chair
Oversight Committee on Personnel

House Chair
Joint Audit and Evaluation
Committee

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

The Maryland House of Delegates
6 Bladen Street, Room 312
Annapolis, Maryland 21401
410-841-3130
800-492-7122 *Ext.* 3130
Jared.Solomon@house.maryland.gov

HB 805 Testimony – The Building Homes Act
February 17, 2026 – Ways and Means Committee

Chair Wilkins, Vice Chair Feldmark, and Colleagues,

Thank you for the opportunity to present on HB 805, the Building Homes Act, enabling legislation to encourage the building of affordable housing across the state of Maryland.

Maryland housing availability is struggling to keep up with a changing and growing population. Housing costs continue to rise every year, with Maryland being the 8th most expensive state for renters and homeownership increasingly out of reach for more Marylanders.

<u>The Building Homes Act:</u>

- Enabling legislation to give county governments the authority to provide a one-time property tax credit to not-for-profit mortgage lienholders equal to the value of the price of a recently sold property charged to the homeowner through an income, equity, and appreciation restricted agreement, rather than an assessment based on surrounding properties without the same resale and equity restrictions.

- Require that the not-for-profit mortgage lienholder holds at least a 20-year covenant or legally binding agreement that enforces income, equity, and appreciation restrictions and ensures the affordable pricing of the property even upon resale.

- Require counties or municipal corporations, and the mayor and city council of Baltimore City to develop policies and regulations regarding:
    - The duration of the tax credit;
    - Additional eligibility criteria for the tax credit; and
    - Regulations and procedures to implement the tax credit.

<u>Background and Rationale</u>

- The homes built in Montgomery County by the Metro Maryland chapter of Habitat for Humanity and other nonprofit builders are assessed and taxed differently compared to similar affordable housing that is part of the County's Moderately Price Dwelling Unit (MPDU) program. The MPDU program restricts the sale price of participating units, meaning they are officially recorded at the artificially low price and then for tax purposes assessed at an artificially suppressed amount. The units built by Habitat for Humanity do not fall under the legal definition of MPDU, forcing Habitat for Humanity to undertake alternative strategies to keep their homes affordable. Additionally, because developers like Habitat for Humanity does not want to lower property values, they keep their home prices officially recorded at market rate.

- Nonprofit builders use a variety of equity and appreciation restrictions to keep their homes affordable for their recipients. One method used by Habitat for Humanity is to sell the home at the appraised value, but to offer a first mortgage that is affordable to the home buyer. Utilizing this model, low-income buyers don't pay more than 30% of their income on housing costs to include principal, interest (if applicable), property taxes, and homeowners' insurance.

- Then, Habitat essentially holds a silent second mortgage on the property, with no monthly payments, that will be repaid after the eventual sale of the home. While this makes homes more affordable for many, it has led to assessments of the properties that do not accurately reflect the true cost of the property. These homes should be assessed based on the first mortgage to accurately reflect the cost of the home.

- Habitat and other organizations often reduce the first mortgage amount to accommodate property taxes based on the full appraised value of the home. If homes were assessed at the first mortgage price, nonprofits could recoup more costs through the first mortgage and therefore need less subsidy per home.

- Shared equity structures can be an important tool for lower-income buyers to get into ownership, build some equity and either stay in their homes long term or use the limited equity they build to move into the traditional market. This credit will help provide more resources for organizations like Habitat for Humanity to build more homes.

Most importantly, HB 805 is enabling – allowing local jurisdictions the authority to create these types of credits for affordable developers who meet the criteria laid out in the bill. Because it is enabling and creates a local credit, the bill will have no cost to the state. I'm pleased to have the support of the Maryland Association of Counties in our work as well.

The Building Homes Act provides counties with an important tool to expand their stock of affordable housing, creating stability for families, our workforce, and our state's economy.

Thank you for your consideration and I urge a favorable report for HB 805.

Why do we need for more affordable housing?

- Housing production has not significantly increased since the beginning of the COVID-19 Pandemic. Maryland is short at least 96,000 units of housing, according to state data, though some estimates peg the deficit at closer to 150,000 homes. In the wake of the

2008 Great Recession, housing construction in Maryland never rebounded to previous levels.

- According to the Department of Housing and Community Development's 2025 State Housing and Needs Assessment:
    - Housing prices have increased substantially year-over-year, from December And as a result, 49% of moderate-income households were able to afford the median in 2022, compared to 75% in 2000;
    - 50% of Maryland residents spend 30% or more of their income on housing;
    - These gaps disproportionately effect Black and Hispanic populations;
    - And In 2022, 45.5% of renters were cost burdened (pay more than 30% of their gross income on rent or housing); 49% of them were black residents.

- The latest American Strategies poll showed eight out of ten Marylanders feel it is too expensive to buy a house in Maryland.

- Marylanders pay more for their mortgages than people in all but eight other states, according to Census Bureau data.

The Impact of High Housing Costs

- The high cost of housing is prompting residents to leave for places with lower housing costs. Should this trend continue unabated, it could diminish the state's congressional representation over time. Before the pandemic, most migration out of Maryland happened among older, wealthier residents. Now younger adults account for half the population loss.

- Losing young people is especially concerning because they make up much of the workforce. Maryland could see a dramatic decrease in key sources of money, such as income, sales and property tax revenue — all things that funnel into government services: sewer and water infrastructure, roads, parks and schools.

- Between 2022 and 2024, Maryland ranked in the top 10 of all U.S. states for the largest net loss of residents to domestic migration, with 46,000 in 2022 (ranked 7th), 33,000 in 2023 (ranked 6th), and 18,500 in 2024 (ranked 6th).

- Real estate professionals say in addition to high interest rates, slow building, ineffective housing policies, and an evolving set of regulations have made prices unattainable for more buyers.