

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 873

(Delegate Taylor)

Environment and Transportation

Education, Energy, and the Environment

Appraisal Gap From Historic Redlining Financial Assistance Program –
Alterations

This bill expands the purpose of the Appraisal Gap from Historic Redlining Financial Assistance Program in the Department of Housing and Community Development (DHCD) to include helping close appraisal gaps that occur in historically redlined neighborhoods by making financial assistance available to individuals who purchase a qualified property (1) after a qualified project is completed; (2) at an affordable sales price as determined by regulations adopted by DHCD; and (3) as an owner-occupant. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Overall finances of the Appraisal Gap from Historic Redlining Financial Assistance Program are not affected. DHCD can handle any administrative changes with existing budgeted resources.

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law:

Appraisal Gap from Historic Redlining Financial Assistance Program

Chapters 702 and 703 of 2021 established the Appraisal Gap from Historic Redlining Financial Assistance Program and related fund within DHCD. The purpose of the program

is to make financial assistance available to affordable housing developers working in low-income census tracts and sustainable communities in order to help close appraisal gaps that occur in historically redlined neighborhoods.

Generally, in the fiscal year in which a qualified project is proposed, an individual or business entity may apply to DHCD for financial assistance to cover the appraisal gap for the project. “Qualified project” means the construction or substantial rehabilitation of a qualified property if the eligible construction expenses do not exceed \$500,000. Subject to specified funding limits and regulations, DHCD must accept an application for financial assistance from an individual or business entity that proposes to develop a qualified project. The application must be in the form and must contain any information that DHCD requires by regulation. DHCD must approve all applications that qualify for financial assistance in a timely manner. The fiscal 2025 capital budget as passed by the General Assembly includes \$10.0 million in general obligation bond proceeds for the program.

Chapters 702 and 703 also required DHCD to conduct a study, aggregated by race, zip codes, and census tracts, of housing values, appraisals, and refinancing rates across the State over the past 30 years, including the impact of State and federal policies, such as infrastructure (road, park, and water and sewer) and other investments, on those communities. DHCD was required to submit the findings of the study to the Governor and the General Assembly by June 30, 2022; that report can be read [here](#).

DHCD advises that it currently operates the program under the title Utilizing Progressive Lending Investments to Finance Transformation (UPLIFT). Additional information regarding UPLIFT can be found [here](#).

Sustainable Communities and Priority Funding Areas

Under current law, a sustainable community is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be

designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 704 (Senator Hayes) - Education, Energy, and the Environment.

Information Source(s): Department of Housing and Community Development;
Department of Legislative Services

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Analysis by: Thomas S. Elder

Direct Inquiries to:
(410) 946-5510
(301) 970-5510