

# HOUSE BILL 1239

C8

11r2762  
CF SB 859

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By: **Delegate Lierman**

Introduced and read first time: February 8, 2021

Assigned to: Environment and Transportation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Department of Housing and Community Development – Appraisal Gap From**  
3 **Historic Redlining Financial Assistance Program – Establishment**

4 FOR the purpose of establishing the Appraisal Gap From Historic Redlining Financial  
5 Assistance Program in the Department of Housing and Community Development;  
6 providing for the purpose of the Program; authorizing a certain person to request  
7 certain financial assistance to cover the appraisal gap for certain property in a  
8 certain area if certain construction expenses exceed the sales price of the property;  
9 providing for the calculation of the financial assistance; authorizing the financial  
10 assistance to be used in conjunction with certain State, federal, or local funding  
11 sources; requiring the Department, on application by a certain individual or business  
12 entity, to provide financial assistance on a first–come, first–served basis, subject to  
13 certain limitations; establishing the Appraisal Gap From Historic Redlining  
14 Financial Assistance Fund as a special, nonlapsing fund; requiring the State  
15 Treasurer to hold the Fund and the Comptroller to account for the Fund; providing  
16 for the investment of money in and expenditures from the Fund; requiring the  
17 Governor to include a certain appropriation to the Fund in the annual budget bill;  
18 requiring the Comptroller to transfer certain amounts from the Fund to the General  
19 Fund of the State under certain circumstances; prohibiting the Governor from  
20 reducing a certain appropriation to the Fund; providing for the uses of the Fund;  
21 requiring a certain county to make a certain report to the Department on or before a  
22 certain date each year; requiring the Department to adopt certain regulations;  
23 defining certain terms; providing for the application of this Act; and generally  
24 relating to the Appraisal Gap From Historic Redlining Financial Assistance Program  
25 in the Department of Housing and Community Development.

26 BY adding to

27 Article – Housing and Community Development

28 Section 4–2801 through 4–2806 to be under the new subtitle “Subtitle 28. Appraisal  
29 Gap From Historic Redlining Financial Assistance Program”

30 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2019 Replacement Volume and 2020 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
That the Laws of Maryland read as follows:

**Article – Housing and Community Development**

**SUBTITLE 28. APPRAISAL GAP FROM HISTORIC REDLINING FINANCIAL  
ASSISTANCE PROGRAM.**

**4–2801.**

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
INDICATED.

(B) “AFFORDABLE” MEANS THAT MONTHLY HOUSING COSTS DO NOT  
EXCEED 30% OF A HOUSEHOLD’S INCOME, WHERE THE HOUSEHOLD’S INCOME DOES  
NOT EXCEED 80% OF THE STATEWIDE MEDIAN INCOME FOR A HOUSEHOLD OF LIKE  
SIZE.

(C) “APPRAISAL GAP” MEANS THE AMOUNT BY WHICH THE TOTAL COST OF  
ELIGIBLE CONSTRUCTION EXPENSES EXCEEDS THE CONTRACT SALES PRICE OF A  
QUALIFIED PROPERTY WHEN IT IS INITIALLY SOLD TO AN OWNER–OCCUPANT.

(D) (1) “ELIGIBLE CONSTRUCTION EXPENSES” MEANS ANY AMOUNT  
THAT IS EXPENDED ON THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF  
A QUALIFIED PROPERTY.

(2) “ELIGIBLE CONSTRUCTION EXPENSES” INCLUDES ANY AMOUNT  
EXPENDED ON:

(I) ROOF REPAIR AND REPLACEMENT;

(II) CHIMNEY REPAIR AND LINING;

(III) INTERNAL AND EXTERNAL DOORS;

(IV) WINDOWS;

(V) MASONRY;

(VI) FLOOR JOISTS;

(VII) FINISHED FLOORING;

- 1                   (VIII) FRAMING;
- 2                   (IX) STRUCTURAL REPAIRS;
- 3                   (X) FOUNDATION REPAIRS;
- 4                   (XI) PLUMBING, ELECTRICAL, AND MECHANICAL SYSTEMS;
- 5                   (XII) ARCHITECTURAL AND ENGINEERING CONSULTING FEES;
- 6                   (XIII) TOOLS AND EQUIPMENT RENTAL; AND
- 7                   (XIX) NEW CONSTRUCTION.

8           (E) “FINANCIAL ASSISTANCE” DOES NOT INCLUDE:

- 9                   (1) LOANS;
- 10                   (2) FORGIVABLE LOANS; OR
- 11                   (3) OTHER INSTRUMENTS THAT WOULD CREATE DEBT THROUGH
- 12 PROPERTY LIENS ON QUALIFIED PROPERTY UNDER THIS SUBTITLE.

13           (F) “FUND” MEANS THE APPRAISAL GAP FROM HISTORIC REDLINING

14 FINANCIAL ASSISTANCE FUND ESTABLISHED UNDER THIS SUBTITLE.

15           (G) “QUALIFIED PROJECT” MEANS THE CONSTRUCTION OR SUBSTANTIAL

16 REHABILITATION OF A QUALIFIED PROPERTY IF THE ELIGIBLE CONSTRUCTION

17 EXPENSES DO NOT EXCEED \$500,000.

18           (H) “QUALIFIED PROPERTY” MEANS RESIDENTIAL REAL PROPERTY THAT

19 IS:

20                   (1) NEWLY CONSTRUCTED OR A FORMERLY VACANT STRUCTURE

21 THAT HAS BEEN SUBSTANTIALLY REHABILITATED;

22                   (2) LOCATED IN:

23                           (I) A LOW-INCOME CENSUS TRACT AS DEFINED BY THE U.S.

24 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; AND

25                           (II) AN AREA DESIGNATED AS A SUSTAINABLE COMMUNITY

1 UNDER § 6-205 OF THIS ARTICLE; AND

2 (3) CONSTRUCTED OR REHABILITATED WITH THE PURPOSE OF BEING  
3 SOLD TO AN OWNER-OCCUPANT AT AN AFFORDABLE SALES PRICE.

4 4-2802.

5 (A) THERE IS AN APPRAISAL GAP FROM HISTORIC REDLINING FINANCIAL  
6 ASSISTANCE PROGRAM IN THE DEPARTMENT.

7 (B) THE PURPOSE OF THE PROGRAM IS TO MAKE FINANCIAL ASSISTANCE  
8 AVAILABLE TO AFFORDABLE HOUSING DEVELOPERS WORKING IN LOW-INCOME  
9 CENSUS TRACTS IN ORDER TO HELP CLOSE APPRAISAL GAPS THAT OCCUR IN  
10 HISTORICALLY REDLINED NEIGHBORHOODS.

11 4-2803.

12 (A) IN THE FISCAL YEAR IN WHICH A QUALIFIED PROJECT IS COMPLETED,  
13 AN INDIVIDUAL OR BUSINESS ENTITY MAY APPLY TO THE DEPARTMENT FOR  
14 FINANCIAL ASSISTANCE TO COVER THE APPRAISAL GAP FOR THE PROJECT IN  
15 ACCORDANCE WITH THIS SECTION.

16 (B) THE AMOUNT OF THE FINANCIAL ASSISTANCE PROVIDED UNDER  
17 SUBSECTION (A) OF THIS SECTION SHALL BE EQUAL TO THE LESSER OF:

18 (1) 35% OF THE APPRAISAL GAP; OR

19 (2) 80% OF THE NATIONAL MEDIAN SALE PRICE FOR NEW HOMES ON  
20 THE DATE OF SALE, AS DETERMINED BY THE MOST RECENT CENSUS DATA  
21 AVAILABLE.

22 (C) FINANCIAL ASSISTANCE PROVIDED UNDER THIS SECTION MAY BE  
23 ALLOCATED AMONG THE PARTNERS, MEMBERS, OR SHAREHOLDERS OF A BUSINESS  
24 ENTITY IN ANY MANNER AGREED TO BY THOSE PERSONS IN WRITING.

25 (D) FINANCIAL ASSISTANCE PROVIDED UNDER THIS SECTION MAY BE USED  
26 IN CONJUNCTION WITH OTHER STATE, FEDERAL, OR LOCAL FUNDING SOURCES.

27 4-2804.

28 (A) SUBJECT TO § 4-2805 OF THIS SUBTITLE, ON APPLICATION BY AN  
29 INDIVIDUAL OR BUSINESS ENTITY THAT PAYS OR INCURS ELIGIBLE CONSTRUCTION  
30 EXPENSES, THE DEPARTMENT SHALL PROVIDE FINANCIAL ASSISTANCE TO THE

1 INDIVIDUAL OR BUSINESS ENTITY IN THE AMOUNT DETERMINED UNDER § 4-2803 OF  
2 THIS SUBTITLE.

3 (B) THE APPLICATION SHALL BE IN THE FORM AND SHALL CONTAIN ANY  
4 INFORMATION THAT THE DEPARTMENT REQUIRES BY REGULATION.

5 (C) THE DEPARTMENT SHALL APPROVE ALL APPLICATIONS THAT QUALIFY  
6 FOR FINANCIAL ASSISTANCE UNDER THIS SUBTITLE:

7 (1) ON A FIRST-COME, FIRST-SERVED BASIS; AND

8 (2) IN A TIMELY MANNER.

9 4-2805.

10 (A) THERE IS AN APPRAISAL GAP FROM HISTORIC REDLINING FINANCIAL  
11 ASSISTANCE FUND.

12 (B) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT  
13 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

14 (2) THE MONEY IN THE FUND SHALL BE INVESTED AND REINVESTED  
15 BY THE STATE TREASURER, AND INTEREST AND EARNINGS SHALL BE CREDITED TO  
16 THE GENERAL FUND OF THE STATE.

17 (C) (1) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH,  
18 FOR ANY FISCAL YEAR, THE DEPARTMENT MAY NOT PROVIDE FINANCIAL  
19 ASSISTANCE UNDER THIS SUBTITLE IN THE AGGREGATE TOTALING MORE THAN THE  
20 AMOUNT APPROPRIATED FOR THE FUND FOR THAT FISCAL YEAR IN THE STATE  
21 BUDGET AS APPROVED BY THE GENERAL ASSEMBLY.

22 (II) IF THE AGGREGATE FINANCIAL ASSISTANCE AMOUNTS  
23 PROVIDED IN A FISCAL YEAR TOTAL LESS THAN THE AMOUNT APPROPRIATED FOR  
24 THE FUND FOR THAT FISCAL YEAR, ANY EXCESS AMOUNT SHALL REMAIN IN THE  
25 FUND AND MAY BE ALLOCATED FOR THE NEXT FISCAL YEAR.

26 (III) FOR ANY FISCAL YEAR, IF FUNDS ARE TRANSFERRED FROM  
27 THE FUND UNDER THE AUTHORITY OF ANY PROVISION OF LAW OTHER THAN  
28 SUBSECTION (D) OF THIS SECTION, THE MAXIMUM FINANCIAL ASSISTANCE  
29 AMOUNTS IN THE AGGREGATE THAT THE DEPARTMENT MAY PROVIDE SHALL BE  
30 REDUCED BY THE AMOUNT TRANSFERRED.

31 (2) FOR EACH FISCAL YEAR, THE GOVERNOR SHALL INCLUDE IN THE  
32 ANNUAL BUDGET BILL AN APPROPRIATION OF \$4,000,000 FOR THE FUND.

1           **(3) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE STATE**  
2 **FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE AN**  
3 **APPROPRIATION FOR THE FUND IN THE STATE BUDGET AS APPROVED BY THE**  
4 **GENERAL ASSEMBLY.**

5           **(D) MONEY IN THE FUND MAY BE USED ONLY FOR THE PURPOSE OF**  
6 **PROVIDING FINANCIAL ASSISTANCE IN ACCORDANCE WITH THIS SUBTITLE.**

7           **(E) ON OR BEFORE JANUARY 1 EACH YEAR, EACH COUNTY SHALL SUBMIT A**  
8 **REPORT TO THE DEPARTMENT THAT DETAILS THE TARGETED AREAS FOR**  
9 **HOMEOWNERSHIP THAT WOULD QUALIFY FOR FINANCIAL ASSISTANCE PROVIDED**  
10 **UNDER THIS SUBTITLE.**

11 **4-2806.**

12           **THE DEPARTMENT SHALL ADOPT:**

13           **(1) REGULATIONS TO SPECIFY CRITERIA FOR THE APPLICATION FOR**  
14 **AND APPROVAL OF THE FINANCIAL ASSISTANCE UNDER THIS SUBTITLE; AND**

15           **(2) ANY OTHER REGULATIONS NECESSARY TO CARRY OUT THE**  
16 **PROVISIONS OF THIS SUBTITLE.**

17           **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July**  
18 **1, 2021.**