

Chapter 702

(House Bill 1239)

AN ACT concerning

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

FOR the purpose of establishing the Appraisal Gap From Historic Redlining Financial Assistance Program in the Department of Housing and Community Development; providing for the purpose of the Program; authorizing a certain person to request certain financial assistance to cover the appraisal gap for certain property in a certain area if certain construction expenses exceed the sales price of the property; providing for the calculation of the financial assistance; authorizing the financial assistance to be used in conjunction with certain State, federal, or local funding sources; requiring the Department, on application by a certain individual or business entity, to provide financial assistance on a first-come, first-served basis, subject to certain limitations; establishing the Appraisal Gap From Historic Redlining Financial Assistance Fund as a special, nonlapsing fund; requiring the State Treasurer to hold the Fund and the Comptroller to account for the Fund; providing for the investment of money in and expenditures from the Fund; ~~requiring the Governor to include a certain appropriation to the Fund in the annual budget bill;~~ requiring the Comptroller to transfer certain amounts from the Fund to the General Fund of the State under certain circumstances; prohibiting the Governor from reducing a certain appropriation to the Fund; providing for the uses of the Fund; requiring a certain county to make a certain report to the Department on or before a certain date each year; requiring the Department to make a certain report to certain committees on or before a certain date each year; requiring the Department to adopt certain regulations; requiring the Department to perform a certain study and submit a report on the study by a certain date; defining certain terms; providing for the application of this Act; and generally relating to the Appraisal Gap From Historic Redlining Financial Assistance Program in the Department of Housing and Community Development.

BY adding to

Article – Housing and Community Development

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

Annotated Code of Maryland

(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) ACQUISITION COSTS;

~~(II)~~ (II) ROOF REPAIR AND REPLACEMENT;

~~(III)~~ (III) CHIMNEY REPAIR AND LINING;

~~(IV)~~ (IV) INTERNAL AND EXTERNAL DOORS;

~~(V)~~ (V) WINDOWS;

~~(VI)~~ (VI) MASONRY;

~~(VII)~~ (VII) FLOOR JOISTS;

~~(VIII)~~ (VIII) FINISHED FLOORING;

~~(IX)~~ (IX) FRAMING;

~~(X)~~ (X) STRUCTURAL REPAIRS;

- ~~(X)~~ (XI) FOUNDATION REPAIRS;
- ~~(XI)~~ (XII) PLUMBING, ELECTRICAL, AND MECHANICAL SYSTEMS;
- ~~(XII)~~ (XIII) ARCHITECTURAL AND ENGINEERING CONSULTING FEES;
- ~~(XIII)~~ (XIV) TOOLS AND EQUIPMENT RENTAL; AND
- ~~(XIV)~~ (XV) NEW CONSTRUCTION.

(E) "FINANCIAL ASSISTANCE" DOES NOT INCLUDE:

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

(F) "FUND" MEANS THE APPRAISAL GAP FROM HISTORIC REDLINING FINANCIAL ASSISTANCE FUND ESTABLISHED UNDER THIS SUBTITLE.

(G) "QUALIFIED PROJECT" MEANS THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF A QUALIFIED PROPERTY IF THE ELIGIBLE CONSTRUCTION EXPENSES DO NOT EXCEED \$500,000.

(H) "QUALIFIED PROPERTY" MEANS RESIDENTIAL REAL PROPERTY THAT IS:

(1) NEWLY CONSTRUCTED OR A FORMERLY VACANT STRUCTURE THAT HAS BEEN SUBSTANTIALLY REHABILITATED;

(2) LOCATED IN:

(I) A LOW-INCOME CENSUS TRACT AS DEFINED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; AND

(II) AN AREA DESIGNATED AS A SUSTAINABLE COMMUNITY UNDER § 6-205 OF THIS ARTICLE; AND

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

4-2802.

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

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

4-2803.

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

(B) THE AMOUNT OF THE FINANCIAL ASSISTANCE PROVIDED UNDER SUBSECTION (A) OF THIS SECTION SHALL ~~BE EQUAL TO~~ NOT EXCEED 35% OF THE LESSER OF:

(1) ~~35% OF THE APPRAISAL GAP~~ THE TOTAL COST OF ELIGIBLE CONSTRUCTION EXPENSES; OR

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

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

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

4-2804.

(A) SUBJECT TO § 4-2805 OF THIS SUBTITLE, ON APPLICATION BY AN INDIVIDUAL OR BUSINESS ENTITY THAT PAYS OR INCURS ELIGIBLE CONSTRUCTION EXPENSES, THE DEPARTMENT SHALL PROVIDE FINANCIAL ASSISTANCE TO THE INDIVIDUAL OR BUSINESS ENTITY IN THE AMOUNT DETERMINED UNDER § 4-2803 OF THIS SUBTITLE.

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

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

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

~~(2) IN A TIMELY MANNER.~~

4-2805.

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

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

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

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

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

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

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

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

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

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

(F) ON OR BEFORE MARCH 1 EACH YEAR, THE DEPARTMENT SHALL SUBMIT A REPORT, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE, TO THE SENATE BUDGET AND TAXATION COMMITTEE, THE HOUSE APPROPRIATIONS COMMITTEE, AND THE HOUSE COMMITTEE ON WAYS AND MEANS ON THE NUMBER OF FUNDS DEPLOYED TO CENSUS TRACTS WITH A MAJORITY RACIAL MINORITY POPULATION.

4-2806.

THE DEPARTMENT SHALL ADOPT:

- (1) REGULATIONS TO SPECIFY CRITERIA FOR THE APPLICATION FOR AND APPROVAL OF THE FINANCIAL ASSISTANCE UNDER THIS SUBTITLE; AND
- (2) ANY OTHER REGULATIONS NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE.

SECTION 2. AND BE IT FURTHER ENACTED, That, for the purpose of determining whether there has been discrimination on the basis of race in community investments, real estate financing, or real estate appraisals, the Department of Housing and Community Development shall:

- (1) 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; and
- (2) on or before June 30, 2022, report its findings to the Governor and, in accordance with § 2-1257 of the State Government Article, the General Assembly.

SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2021.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 30, 2021.