

# 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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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 9, 2021

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## CHAPTER \_\_\_\_\_

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 make a certain report to certain  
23 committees on or before a certain date each year; requiring the Department to adopt  
24 certain regulations; requiring the Department to perform a certain study and submit  
25 a report on the study by a certain date; defining certain terms; providing for the

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 application of this Act; and generally relating to the Appraisal Gap From Historic  
 2 Redlining Financial Assistance Program in the Department of Housing and  
 3 Community Development.

4 BY adding to

5 Article – Housing and Community Development

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

8 Annotated Code of Maryland

9 (2019 Replacement Volume and 2020 Supplement)

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

12 **Article – Housing and Community Development**

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

15 **4–2801.**

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

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

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

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

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

30 (I) ACQUISITION COSTS;

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

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

- 1           ~~(III)~~ (IV)     INTERNAL AND EXTERNAL DOORS;
- 2           ~~(IV)~~ (V)      WINDOWS;
- 3           ~~(V)~~ (VI)     MASONRY;
- 4           ~~(VI)~~ (VII)    FLOOR JOISTS;
- 5           ~~(VII)~~ (VIII) FINISHED FLOORING;
- 6           ~~(VIII)~~ (IX)    FRAMING;
- 7           ~~(IX)~~ (X)     STRUCTURAL REPAIRS;
- 8           ~~(X)~~ (XI)     FOUNDATION REPAIRS;
- 9           ~~(XI)~~ (XII)    PLUMBING,   ELECTRICAL,   AND   MECHANICAL  
10 SYSTEMS;
- 11           ~~(XII)~~ (XIII) ARCHITECTURAL AND ENGINEERING CONSULTING  
12 FEES;
- 13           ~~(XIII)~~ (XIV) TOOLS AND EQUIPMENT RENTAL; AND
- 14           ~~(XIV)~~ (XV)    NEW CONSTRUCTION.

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

16           (1)   LOANS; OR

17           (2)   ~~FORGIVABLE LOANS; OR~~

18           ~~(3)~~   OTHER INSTRUMENTS THAT WOULD CREATE DEBT THROUGH  
19 PROPERTY LIENS ON QUALIFIED PROPERTY UNDER THIS SUBTITLE.

20       (F)   “FUND” MEANS THE APPRAISAL GAP FROM HISTORIC REDLINING  
21 FINANCIAL ASSISTANCE FUND ESTABLISHED UNDER THIS SUBTITLE.

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

25       (H)   “QUALIFIED PROPERTY” MEANS RESIDENTIAL REAL PROPERTY THAT  
26 IS:

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

3           (2) LOCATED IN:

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

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

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

10 4-2802.

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

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

17 4-2803.

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

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

25                 (1) ~~35% OF THE APPRAISAL GAP~~ THE TOTAL COST OF ELIGIBLE  
26 CONSTRUCTION EXPENSES; OR

27                 (2) 80% OF THE NATIONAL MEDIAN SALE PRICE FOR NEW HOMES ON  
28 THE DATE OF SALE, AS DETERMINED BY THE MOST RECENT CENSUS DATA  
29 AVAILABLE.

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

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

6 4-2804.

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

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

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

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

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

18 4-2805.

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

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

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

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

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

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

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

12 ~~(3)~~ (2) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE  
13 STATE FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE  
14 AN APPROPRIATION FOR THE FUND IN THE STATE BUDGET AS APPROVED BY THE  
15 GENERAL ASSEMBLY.

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

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

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

28 4-2806.

29 THE DEPARTMENT SHALL ADOPT:

30 (1) REGULATIONS TO SPECIFY CRITERIA FOR THE APPLICATION FOR  
31 AND APPROVAL OF THE FINANCIAL ASSISTANCE UNDER THIS SUBTITLE; AND

32 (2) ANY OTHER REGULATIONS NECESSARY TO CARRY OUT THE  
33 PROVISIONS OF THIS SUBTITLE.

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

5            (1) conduct a study, aggregated by race, zip codes, and census tracts, of  
6 housing values, appraisals, and refinancing rates across the State over the past 30 years,  
7 including the impact of State and federal policies, such as infrastructure (road, park, and  
8 water and sewer) and other investments, on those communities; and

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

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

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.