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**Support of HB1239: Department of Housing and Community Development – Appraisal Gap  
From Historic Redlining Financial Assistance Program – Establishment**

**March 2, 2021**

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Comprehensive Housing Assistance, Inc. (CHAI) is a nonprofit agency working to strengthen communities through housing and community development so residents of all ages and economic backgrounds can thrive. CHAI serves northwest Baltimore City and adjacent Baltimore County neighborhoods in Pikesville. Through nearly four decades of community service, CHAI has forged deep connections with the goal of making northwest Baltimore a stronger, better community in which to live, learn, and grow older. Affordable housing development is at CHAI’s core as housing stability is vital to strong communities

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As an example of the appraisal gap in Northwest Baltimore, CHAI is in the predevelopment stages of a block redevelopment of five houses. The properties were purchased from the city for \$5,000 or less. These properties have been vacant for over five years and some don’t have all four walls or roof. They are an eyesore for the current homeowners, some of which have lived in the community for over 20 years. To renovate and sell these properties the total budget is \$1.1M with an appraisal gap of \$650,000. This project is fortunate enough to benefit from funding incentives through Video Lottery Terminal funding but without that, these properties would continue to sit vacant and deteriorate the community. With funding infused into these neighborhoods the existing residents benefit as well.

CHAI recently purchased a home from National Community Stabilization Trust because of the previous foreclosure. The property again was vacant for a significant period and was a blight to the community. While in a stronger neighborhood, to complete a quality renovation CHAI needed \$34,000 in gap funding. The project was beautifully renovated and ultimately successful because of the gap funding. The house was sold to a first-time homebuyer who can enjoy the amenities of the Cyllburn community in Northwest Baltimore.

Lisa K. Budlow  
Chief Executive Officer

CHAI is an agency of The Associated



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In distressed neighborhoods, the cost of the construction to renovate properties can be significantly more than the sales or market price, which causes the appraisal gap. This gap leads to a few possible negative outcomes including, but not limited to, vacant housing, blight, increased crime, trash dumping and no tax revenue collection for the municipality.

The appraisal gap is a direct outcome of redlining in predominantly low-income and minority communities. The lack of funding and financial resources effects this population with significantly negative outcomes. Residents that could be homeowners end up staying in a cycle of being a renter where there is no wealth or equity creation. These renters also have less of a stake in the community and make no investment in their property.

On the other hand, if properties could be renovated and sold to homeowners, it would have the opposite effect on communities. A renter becomes a first-time homebuyer, becomes connected to the community, invests in their community and participates in strengthening the communities' goals. Renters that were previously housing cost burdened can be independent homeowners and generate wealth.

For these reasons, we ask for a favorable report on HB1239.

