

SENATE BILL 445

C9

3lr0741
CF HB 625

By: **Senator Hayes**

Introduced and read first time: February 2, 2023

Assigned to: Education, Energy, and the Environment

Committee Report: Favorable

Senate action: Adopted

Read second time: March 5, 2023

CHAPTER _____

1 AN ACT concerning

2 **Appraisal Gap From Historic Redlining Financial Assistance Program –**
3 **Alterations**

4 FOR the purpose of expanding the forms of financial assistance available under the
5 Appraisal Gap From Historic Redlining Financial Assistance Program; altering
6 eligibility requirements for projects that may receive financial assistance under the
7 Program; altering the time period when applications may be submitted under the
8 Program; repealing certain restrictions on the amount of financial assistance that
9 may be provided under the Program; altering the processes for applications to the
10 Program and the distribution of financial assistance; and generally relating to the
11 Appraisal Gap From Historic Redlining Financial Assistance Program.

12 BY repealing and reenacting, with amendments,
13 Article – Housing and Community Development
14 Section 4–2801 through 4–2804
15 Annotated Code of Maryland
16 (2019 Replacement Volume and 2022 Supplement)

17 BY repealing and reenacting, without amendments,
18 Article – Housing and Community Development
19 Section 4–2806
20 Annotated Code of Maryland
21 (2019 Replacement Volume and 2022 Supplement)

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

3 **Article – Housing and Community Development**

4 4–2801.

5 (a) In this subtitle the following words have the meanings indicated.

6 (b) “Affordable” means that monthly housing costs [do not exceed 30% of a
7 household’s income, where the household’s income does not exceed 80% of the statewide
8 median income for a household of like size] **ARE AFFORDABLE TO A FAMILY OF LIMITED
9 INCOME AS DETERMINED UNDER § 4–212 OF THIS TITLE.**

10 (c) “Appraisal gap” means the amount by which the total cost of eligible
11 construction expenses exceeds the contract sales price of a qualified property when it is
12 initially sold to an owner–occupant.

13 (d) (1) “Eligible construction expenses” means any amount that is expended
14 on the construction or substantial rehabilitation of a qualified property.

15 (2) “Eligible construction expenses” includes any amount expended on:

16 (i) acquisition costs;

17 (ii) roof repair and replacement;

18 (iii) chimney repair and lining;

19 (iv) internal and external doors;

20 (v) windows;

21 (vi) masonry;

22 (vii) floor joists;

23 (viii) finished flooring;

24 (ix) framing;

25 (x) structural repairs;

26 (xi) foundation repairs;

27 (xii) plumbing, electrical, and mechanical systems;

1 (xiii) architectural and engineering consulting fees;

2 (xiv) tools and equipment rental; [and]

3 (xv) new construction;

4 **(XVI) INFRASTRUCTURE; AND**

5 **(XVII) OTHER EXPENSES AS DETERMINED BY THE SECRETARY.**

6 (e) “Financial assistance” [does not include:

7 (1) loans; or

8 (2) other instruments that would create debt through property liens on
9 qualified property under this subtitle] **INCLUDES:**

10 **(1) A GRANT;**

11 **(2) A LOAN;**

12 **(3) A REDUCTION IN THE PRINCIPAL OBLIGATION OF OR RATE OF**
13 **INTEREST PAYABLE ON A LOAN OR PORTION OF A LOAN;**

14 **(4) A PREPAYMENT OF INTEREST ON A SUBORDINATE OR SUPERIOR**
15 **LOAN OR PORTION OF A LOAN;**

16 **(5) AN ASSURANCE;**

17 **(6) A GUARANTEE; AND**

18 **(7) ANY OTHER FORM OF CREDIT ENHANCEMENT.**

19 (f) “Fund” means the Appraisal Gap From Historic Redlining Financial
20 Assistance Fund established under this subtitle.

21 (g) “Qualified project” means the construction or substantial rehabilitation of a
22 qualified property if the eligible construction expenses do not exceed \$500,000.

23 (h) “Qualified property” means residential real property that is:

24 (1) newly constructed or a formerly vacant structure that has been
25 substantially rehabilitated;

26 (2) located in:

1 (i) a low-income census tract as defined by the U.S. Department of
2 Housing and Urban Development; and

3 (ii) an area designated as a sustainable community [under § 6-205
4 of this article]; and

5 (3) constructed or rehabilitated with the purpose of being sold to an
6 owner-occupant at an affordable sales price.

7 **(I) "SUSTAINABLE COMMUNITY" MEANS AN AREA DESIGNATED AS A**
8 **SUSTAINABLE COMMUNITY UNDER § 6-205 OF THIS ARTICLE.**

9 4-2802.

10 (a) There is an Appraisal Gap From Historic Redlining Financial Assistance
11 Program in the Department.

12 (b) The purpose of the Program is to make financial assistance available to
13 affordable housing developers working in low-income census tracts **AND SUSTAINABLE**
14 **COMMUNITIES** in order to help close appraisal gaps that occur in historically redlined
15 neighborhoods.

16 4-2803.

17 (a) In the fiscal year in which a qualified project is [completed] **PROPOSED**, an
18 individual or business entity may apply to the Department for financial assistance to cover
19 the appraisal gap for the project in accordance with this section.

20 (b) [The amount of the financial assistance provided under subsection (a) of this
21 section shall not exceed 35% of the lesser of:

22 (1) the total cost of eligible construction expenses; or

23 (2) 80% of the national median sale price for new homes on the date of sale,
24 as determined by the most recent census data available] **THE DEPARTMENT SHALL**
25 **DEVELOP BY REGULATION AN APPLICATION FORM AND A PROCESS FOR THE**
26 **DISTRIBUTION OF FINANCIAL ASSISTANCE UNDER THIS SECTION.**

27 (c) Financial assistance provided under this section may be allocated among the
28 partners, members, or shareholders of a business entity in any manner agreed to by those
29 persons in writing.

30 (d) Financial assistance provided under this section may be used in conjunction
31 with other State, federal, or local funding sources.

1 (E) A QUALIFIED PROJECT RECEIVING FINANCIAL ASSISTANCE UNDER THIS
2 SECTION SHALL BE IN COMPLIANCE WITH LOCAL DEVELOPMENT AND LAND USE
3 PLANS.

4 4-2804.

5 (a) Subject to § 4-2805 of this subtitle AND THE REGULATIONS OF THE
6 DEPARTMENT, [on application by an individual or business entity that pays or incurs
7 eligible construction expenses, the Department shall provide financial assistance to the
8 individual or business entity in the amount determined under § 4-2803 of this subtitle]
9 THE DEPARTMENT SHALL ACCEPT AN APPLICATION FOR FINANCIAL ASSISTANCE
10 FROM AN INDIVIDUAL OR BUSINESS ENTITY THAT PROPOSES TO DEVELOP A
11 QUALIFIED PROJECT.

12 (b) The application shall be in the form and shall contain any information that
13 the Department requires by regulation.

14 (c) The Department shall approve all applications that qualify for financial
15 assistance under this subtitle in a timely manner.

16 4-2806.

17 The Department shall adopt:

18 (1) regulations to specify criteria for the application for and approval of the
19 financial assistance under this subtitle; and

20 (2) any other regulations necessary to carry out the provisions of this
21 subtitle.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
23 1, 2023.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.