



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
THE COUNCILMEMBER MARY PAT CLARKE
OPPORTUNITY TO PURCHASE ACT (1st Reader)

TO: The Honorable Nick Mosby, President, Baltimore City Council
FROM: Dana Petersen Moore, Director, Office of Equity and Civil Rights
DATE: 07/10/2023

COMMITTEE

Economic and Community Development

BILL SUMMARY

City Council Bill 22-0250 aims to repeal City Code, Article 13, Subtitle 6 (“Tenants Right to First Refusal”) as an obsolete ordinance and replace it with the Councilmember Mary Pat Clarke Opportunity to Purchase Act (“The Replacement Title”). The replacement title includes several new aspects of tenants right of first refusal – it applies to all single-family dwelling units, not just single-family homes; it removes reasonable protections for tenants who may use local, state, or federal government assistance programs to finance the purchase of their rental dwelling unit (s); it resets the tenants’ deadline to accept the offer to purchase anytime there is a material change; it mandates refund of earnest money deposits under certain circumstances; it requires property owners to disclose sales to the Housing Commissioner about property transfers subject to the replacement title; and it requires the Housing Commissioner to submit an annual report to the Mayor and City Council.

RACIAL EQUITY IMPACTS

- City Council Bill 22-0250 will **likely improve** economic and housing outcomes for Black, Latine, and other residents of color in Baltimore City. Therefore, **we support the passage of City Council Bill 22-0250 with amendments.**

FURTHER CONSIDERATIONS

- The removal of language from the existing ordinance that provides protection to tenants who may use government assistance programs in the purchase of their rental dwelling unit **will exacerbate inequitable economic and housing outcomes for Black, Latine, and other residents of color in Baltimore City.**
- The sponsor of the legislation should consider the following friendly amendment:

Use of governmental assistance protected.

No landlord may refuse to enter a sales contract with a tenant solely because the tenant proposes to use federal, state, or local program to assist in the financing of the purchase.

Content Warning: The document you are about to read is a Racial Equity Impact Assessment (“REIA”), a careful and organized examination of how City Council Bill 22-0250 will affect different racial and ethnic groups in Baltimore City. We hope that this assessment sparks a conversation that is brave, empathetic, thoughtful, and open-minded.



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Trigger Warning: The following REIA touches on racism, displacement, housing insecurity, eviction, and housing discrimination. Some or all these issues may trigger a strong emotional response. The Office of Equity and Civil Rights encourages you to use this knowledge in the way that is most helpful to you.

Formatting Note: This REIA may differ from previous assessments authored by our office. We continuously strive to enhance our equity assessments, incorporating innovative methods and refining our approach daily. We value collaboration and welcome any suggestions to strengthen our assessments.

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BILL SUMMARY

The following content summarizes City Council Bill 22-0250 in plain language for the purposes of discussion. This explanation is not a substitute for reading the bill, or if passed, the law. Mentions of “the bill” throughout this REIA refer to the 1st reader version of City Council Bill 22-0250, unless otherwise stated.

City Council Bill 22-0250 makes changes to current city law regarding tenants right to have first dibs at purchasing their leased property prior to the property owner listing the property on the market, should the property owner decide to sell their interests in the property. Specifically, the bill:

- 1. Extends its application to all residential dwelling units.** Current law applies only to “...single family residential rental units.”¹
- 2. Removes language that provides protections for tenants who may use government assistance programs to assist in the purchase of their rental dwelling unit (s).** Current law explicitly states that “no landlord may refuse to enter into a sales contract with a tenant solely because that tenant proposes to use a federal, state, or local program to assist with financing the purchase.”²
- 3. Resets the tenants’ deadline to accept the offer to purchase anytime there is a material change to the offer of sale.**
- 4. Mandates the refund of earnest money deposits under certain circumstances.** Current law makes no mention of refunding earnest money deposits if the parties fail to execute the contract of sale.
- 5. Requires property owners to disclose sales to the Housing Commissioner about property transfers subject to the replacement title.** Current law requires the property owner to “file in the land records of Baltimore City an affidavit in the form set forth in subsection (c) below, certifying that the requirements of this subtitle have been met, as a part of the deed conveyance.”³ Essentially, the property owner must notify the city that they complied with the law.
- 6. Requires the Housing Commissioner to submit an annual report to the Mayor and City Council about property transfers subject to the replacement title.** Current law makes no mention of an annual report to track the effectiveness of the law meant and its utilization in the purchase of homes by city residents.

¹ (City Code, 1976/83, art. 13, §46.) (Ord. 79-1228; Ord. 22-124.)

² (City Code, 1976/83, art. 13, §46.) (Ord. 79-1228; Ord. 22-124.)

³ (City Code, 1976/83, art. 13, §46.) (Ord. 79-1228; Ord. 22-124.)



CITY COUNCIL BILL: 22-0250
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THE COUNCILMEMBER MARY PAT CLARKE
OPPORTUNITY TO PURCHASE ACT (1st Reader)

BACKGROUND

To analyze the racial equity impacts of this bill, it is critical to understand the context surrounding the issue as well as data on current racial inequities.

There may be omissions of relevant information related to these topics. We encourage you to dive further into research on your own or by using the footnotes as a starting point.

Black Housing Precarity in Baltimore City

Inequities in homeownership and rentership have long been a pervasive issue in Baltimore City, with significant disparities existing along racial, socioeconomic, and geographic lines. These inequities have their roots in historical and systemic factors that continue to shape the city's housing landscape today. Understanding the nature of these disparities is crucial for addressing the underlying causes and working towards a more equitable future. According to the U.S. Census Bureau, 43% of Black city residents, 58% of White city residents, and 44% of Latine city residents are homeowners, highlighting the disparities among these racial and ethnic groups.⁴

Research has shown that Black renters pay more rent for their apartments or units (especially in white neighborhoods), while Black homeowners pay more for their mortgages compared to their white counterparts.⁵ In rental and mortgage markets, Black people are often subjected to predatory rents by landlords and predatory mortgage loans by banks. This has also been the case historically due to the way government-enforced racial segregation warped the housing market for African Americans. Because Black people were often forced to live in certain restricted areas of cities, many areas became densely populated and overcrowded.⁶

Overcrowding was particularly acute in Baltimore.⁷ Urban rowhomes and houses were often subdivided into smaller living spaces with Black renters being charged a higher rent than a white renter would be charged.⁸ Black homebuyers were often stuck with predatory contracts to purchase a home since they were denied access to traditional mortgages due to redlining.

Nearly a century later, not much has changed in Baltimore City. Because of predatory rents and home loans along with racial inequity, many Black renters, and homeowners in redlined neighborhood experience severe housing instability. In many urban areas, large percentages of renters are rent-burdened, and homeowners are cost-burdened (i.e., paying more than 30% of their monthly income to cover rent or

⁴ American Community Survey 5-yrs Estimate (2021).

⁵ For discriminatory renting by race, see Leah BINKOVITZ, “Study: Black Renter Households Pay a Rent Premium,” Ricer Kinder Institute for Urban Research, September 17, 2018, <https://kinder.rice.edu-2018-09-14/study-black-renter-households-pay-rent-premium>. For predatory mortgage lending by race, see Ira Goldstein and Dan Urevick-Ackelsberg, *Subprime Lending, Mortgage Foreclosures and Race: How Far Have We Come and How Far Have We to Go?* (n.p.: The Reinvestment Fund, 2007).

⁶ Lawrence Brown, “The Black Butterfly: The Harmful Politics of Race and Space in America (Baltimore City, MD: Johns Hopkins University Press, 2021), 161.

⁷ Ibid.

⁸ Ibid.



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
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mortgage). In Baltimore, this can lead to forcible evictions and ultimately, city residents experiencing homelessness. According to a 2019 eviction study conducted by the university of California Berkeley, Black households in Baltimore City had the highest removal count which was 2.96 times higher than white removals (4,776 vs. 1,614 removals). The eviction rate for Black households is 5.9% (13% higher than the white eviction rate of 5.2%). Latine and Asian households had an eviction rate of 2.2% and 0.5%, respectively.

Collectively, these policies, and practices instigate housing instability and create the crisis of homelessness and housing precarity in Black neighborhoods.

Renting in Baltimore City

Redlining and racial covenants on top of decades of restriction on wealth building opportunities have led to dramatic inequities in homeownership rates across racial groups. Fifty-eight percent of white households own their homes, while 43% of Black households and 44% of Latine households own their homes. Therefore, Black, Latine, and other residents of color are more likely to rent than white residents.⁹ As a result, any changes to the law regarding tenants right of first refusal is more likely to impact Black, Latine, and other residents of color than other residents.

As mentioned earlier in this report, not only are households of color more likely to rent, but when they rent, their rent is more likely to be unaffordable and reliant on public subsidy. One metric for affordability is *rent burden*, which measures what percentage of a household’s income goes to rent. The higher the percentage, the higher the burden.

Black and Latine households experience the highest rates of rent burden in Baltimore City (Figure 1). Racial inequities in education, housing, hiring discrimination, job segregation, wealth inequities, and income inequities all contribute to the inequities in rent burden.

Figure 1 Black and other households of color have the highest rates of rent burden in Baltimore City.¹⁰

RACE AND ETHNICITY	SHARE OF HOUSEHOLDS SEVERELY RENT BURDENED	SHARE OF HOUSEHOLDS MODERATELY RENT BURDENED	TOTAL SHARE OF HOUSEHOLDS WITH RENT BURDEN
BLACK	35%	56%	88%
LATINE	24%	39%	63%
MIXED/OTHER	38%	52%	80%
ASIAN/ISAND	31%	47%	78%
PACIFIC			
WHITE	21%	42%	63%

Note: Unfortunately, these tabulations did not make specific data available about indigenous residents.

⁹ American Community Survey 5-yr Estimate (2021).

¹⁰ [Housing Burden: All Residents Should Have Access to Quality, Affordable Homes](#). National Equity Atlas, 2020.



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
THE COUNCILMEMBER MARY PAT CLARKE
OPPORTUNITY TO PURCHASE ACT (1st Reader)

RACIAL EQUITY IMPACT #1

Extending the application of the replacement title to cover all residential dwelling units will likely improve economic and housing outcomes for Black, Latine, and other residents of color looking to purchase their rental property from the landlord.

The extension of the replacement title to cover all residential dwelling units would provide an opportunity for economic empowerment and wealth accumulation within communities of color. Currently, many individuals from redlined neighborhoods face barriers to homeownership due to limited access to affordable housing options and discriminatory lending practices. By providing an enhanced medium through which renters can purchase their rental properties would allow them to build equity and generate long-term wealth through property ownership. This financial stability can lead to increased economic mobility, improved quality of life, and the ability to pass down assets to future generations.

Furthermore, the replacement title would help address the issue of housing instability and gentrification in Black, Latine, and other neighborhoods of color. These communities often experience rapid changes due to external investment and rising property values, which can lead to displacement and the loss of affordable housing options. By enabling renters to purchase their homes from their landlord, the replacement title would act as a safeguard against displacement, allowing individuals and families to remain in their homes and maintain their social connections and community support systems.

In addition, the replacement would promote community development and self-determination. Often, residents of color living in rental properties face limited decision-making power regarding their housing situations. Landlords hold significant control over property management, rental rates, and maintenance, which can lead to neglect and exploitation. With the replacement title, residents would gain increased autonomy and agency over their living conditions. They would have the ability to make decisions about property improvements, renovations, and rental terms, fostering a sense of ownership, pride, and investment in their homes and neighborhoods.

FURTHER CONSIDERATION

The sponsor should consider the creation of an education program for renters about how to utilize the opportunity of first refusal as well as the local, state, and federal resources available to first-time homebuyers.

Implementing an education program for renters about the opportunity of first refusal and the resources available to them as first-time homebuyers would be highly beneficial. Such a program would help ensure that renters, especially those from marginalized communities, are informed and equipped to make informed decisions about homeownership and take advantage of the opportunities provided by the first refusal option and available resources.

An education program would address the issue of awareness and knowledge gaps among renters. Many individuals, particularly those who have never owned a home before, may not be familiar with the concept of first refusal or the processes involved in purchasing their rental property. By providing comprehensive



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
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OPPORTUNITY TO PURCHASE ACT (1st Reader)

information through an education program, renters would become aware of their rights, understand the steps involved in exercising the first refusal option, and gain clarity on the benefits and implications of homeownership. This knowledge would empower renters to make informed choices and take advantage of the opportunity to become homeowners.

The education program could highlight the various local, state, and federal resources available to first-time homebuyers. Many individuals, especially those from underserved communities, may be unaware of the financial assistance programs, grants, low-interest loans, and other resources designed to support them in their journey towards homeownership. By providing information about these resources, renters would have access to valuable tools that could alleviate financial barriers, reduce down payment requirements, or assist with closing costs. This increased awareness could make homeownership more attainable for individuals who might otherwise perceive it as out of reach.

Furthermore, an education program would equip renters with the necessary knowledge to navigate the complexities of the homebuying process. Purchasing a home involves various steps, such as understanding mortgage options, conducting inspections, negotiating offers, and engaging with real estate agents and lenders. For many renters, especially those with limited exposure to the homebuying process, these intricacies can be overwhelming and daunting. An education program would provide guidance, explain terminology, and offer practical advice to help renters navigate the process successfully. This would contribute to more informed decision-making and empower renters to engage actively in the purchase of their rental property.

Additionally, an education program could address financial literacy and provide guidance on responsible homeownership. Many renters may lack financial literacy skills or have limited experience managing mortgages, property taxes, insurance, and maintenance costs. By incorporating financial literacy components into the program, renters would gain knowledge about budgeting, credit management, long-term financial planning, and the responsibilities associated with homeownership. This education would promote responsible financial behavior and help individuals sustain their homeownership in the long run, reducing the risk of foreclosure or financial hardship.

RACIAL EQUITY IMPACT #2

Removing language from the existing law that provided protection for tenants who may use government assistance programs to assist in the purchase of their rental dwelling unit (s) will exacerbate inequitable economic and housing outcomes for Black, Latine, and other residents of color in Baltimore City.

Protecting individuals who rely on government assistance from discrimination by landlords ensures equal opportunities for homeownership. Black, Latine, and other residents of color disproportionately rely on government assistance programs due to historical and ongoing disparities in wealth accumulation and access to affordable housing. By removing protections for tenants who use these programs, landlords could potentially deny housing opportunities based on discriminatory biases, exacerbating existing disparities. Such discrimination would further limit the housing options available to marginalized communities,



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
THE COUNCILMEMBER MARY PAT CLARKE
OPPORTUNITY TO PURCHASE ACT (1st Reader)

perpetuating systemic inequities, and hindering their ability to break free from cycles of poverty and housing instability.

Furthermore, protecting tenants who rely on government assistance programs promotes housing stability and community development. Stable housing is a foundational element for individuals and families to thrive and participate fully in society. By allowing tenants to use government assistance to purchase their rental units, they can build equity, establish roots within their communities, and contribute to neighborhood stability. This stability enhances community cohesion, fosters civic engagement, and improves the overall well-being of residents. Without these protections, discrimination in housing based on government assistance would not only harm individuals but also have broader negative impacts on the social fabric of communities.

Safeguarding against discrimination in housing promotes dignity and reduces stigma. Individuals who rely on government assistance to purchase their rental units should be treated with respect and fairness, free from discrimination or bias. Denying housing opportunities based on someone's participation in government assistance programs perpetuates stereotypes and contributes to the stigmatization of low-income individuals and communities of color. Protecting against such discrimination would empower individuals to pursue homeownership without fear of prejudice and ensures that they are afforded the same dignity and respect as any other potential homebuyer.

Moreover, protecting tenants who use government assistance programs from discrimination aligns with the principles of fair housing and equal opportunity. The Fair Housing Act prohibits housing discrimination based on factors such as race, color, religion, sex, national origin, disability, and familial status. Removing protections for tenants utilizing government assistance would undermine the spirit of this legislation, perpetuating systemic discrimination and limiting access to housing opportunities for marginalized communities. Upholding fair housing protections is vital for dismantling systemic barriers and advancing equity in housing.

FURTHER CONSIDERATION

The sponsor of the legislation should consider the following friendly amendment:

Use of governmental assistance protected.

No landlord may refuse to enter a sales contract with a tenant solely because the tenant proposes to use federal, state, or local program to assist in the financing of the purchase.



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
THE COUNCILMEMBER MARY PAT CLARKE
OPPORTUNITY TO PURCHASE ACT (1st Reader)

RACIAL EQUITY IMPACT #3

Requiring the Housing Commissioner to submit an annual report to the Mayor and City Council about property transfers subject to the replacement title will likely improve economic and housing outcomes for Black, Latine, and other residents of color in Baltimore City by allowing for an evaluation of the program’s effectiveness at increasing homeownership rates among Black, Latine, and other residents of color in Baltimore City.

Tracking data on property transfers subject to the replacement title allows for the evaluation of the program's effectiveness in increasing homeownership rates among Black, Latine, and other residents of color. By analyzing the data, policymakers can assess whether the program is achieving its intended goals of promoting homeownership and reducing disparities. The data can provide insights into the demographic profile of the buyers, the number of successful property transfers, and the extent to which residents of color are benefiting from the program. This evaluation is crucial for identifying any potential gaps or barriers that may hinder equitable access to homeownership and allows for targeted interventions to address these issues.

Furthermore, tracking data enables policymakers to measure the overall impact of the program on economic and housing outcomes for residents of color. By examining the data, it becomes possible to assess the extent to which the replacement title is contributing to wealth accumulation, economic mobility, and neighborhood stability within communities of color. This information helps policymakers understand the program's effectiveness in addressing historical disparities and informs decision-making regarding future investments, resource allocation, and policy adjustments. Without data tracking, it would be challenging to measure progress, identify areas for improvement, and hold stakeholders accountable for achieving equitable outcomes.

Tracking data on property transfers subject to the replacement title facilitates transparency and accountability. An annual report to the Mayor and City Council provides a mechanism for stakeholders, including the public, to access information about the program's performance and outcomes. This transparency ensures that decision-making processes are informed by evidence and that the program's impact is subject to scrutiny and evaluation. It also allows community organizations, advocacy groups, and researchers to assess the program's efficacy and advocate for improvements or additional support if necessary.

Moreover, tracking data supports evidence-based policymaking and program refinement. By regularly collecting and analyzing data, policymakers can identify trends, patterns, and best practices that inform programmatic adjustments and policy interventions. The data can reveal valuable insights into the factors that contribute to successful property transfers and barriers that may impede progress. This knowledge will enable applicable stakeholders to fine-tune the program, address systemic challenges, and allocate resources effectively to maximize the program's impact on economic and housing outcomes for residents of color.



CITY COUNCIL BILL: 22-0250
RACIAL EQUITY IMPACT ASSESSMENT
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OPPORTUNITY TO PURCHASE ACT (1st Reader)

ASSESSMENT LIMITATIONS

Alongside the analysis provided above, the office of Equity and Civil Rights encourages readers to keep the following limitations in mind:

Assessing legislation’s potential racial equity impacts is a rigorous, analytical, and organized undertaking—but it is also an exercise with constraints. It is impossible for anyone to predict the future, implementation does not always match the intent of the law, critical data may be unavailable, and today’s circumstances may change tomorrow. Our assessment is our most educated and critical hypothesis of the bill’s racial equity impacts.

This assessment aims to be accurate and useful, but omissions may exist. Given the density of racial equity issues, it is unlikely that we will raise all relevant racial equity issues present in a bill. In addition, an omission from our assessment should not: 1) be interpreted as a provision having no racial equity impact or 2) invalidate another party’s racial equity concern.

Regardless of the Office of Equity and Civil Rights’ final assessment, the legislation can still pass. This assessment intends to inform the public, Councilmembers, Council staff, and any other interested parties about the legislation through a racial equity lens. However, this assessment is not binding on the sponsor of the legislation, the City Council, or any other applicable parties.