



## MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council  
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Housing Commissioner

Date: February 16, 2022

### **Re: President Mosby Amendments to City Council Bill 21-0172 Baltimore City Legacy Residents – Urban Homesteading Program**

DHCD appreciates the opportunity to provide comment on President Mosby's proposed amendments to City Council Bill 21-0172 which were received by the agency during the Committee of the Whole hearing held on Monday, February 14, 2022.

DHCD is committed to creating homeownership opportunities and supporting these important outcomes by addressing root causes and breaking down barriers that limit homeownership opportunities for people who have historically experienced housing inequity in Baltimore City.

Selling a house for a dollar is the easiest component – it is the access to capital and lending, affordability, and comprehensive community revitalization that also need to be in place in order to achieve the homeownership outcomes that we know we need in our city.

#### Amendment No. 1

Strikes the term "Legacy Residents" from the title of the legislation and replaces it with "City Residents" in the purpose clause and adds two additional "Whereas" statements to the recitals that speak to the history of the original 1\$ House program. **DHCD does not object to the removal of the term legacy residents and takes no position on the additions to the recitals.**

#### Amendment No. 2

Removes the definition of "Legacy Resident" and removes the unconstitutional proof of residency requirement from the legislation. Amendment 2 would broaden the eligibility requirements for program participation to include people with medical, tuition or

bankruptcy debt, those receiving housing subsidies or waiting for them, those evicted from rental properties or people who have an income at or below 130% of the city's median income. It is worth noting that many of these eligibility requirements would make it even more difficult for the applicant to get a loan.

By removing the unconstitutional proof of residency requirements from the bill and substituting "Legacy Resident" with other eligibility criteria the amendment does little to address the agency's concerns about the ambiguity and confusion that may be caused around the verification and prioritization of program participants.

DHCD continues to have concerns around the additional staffing capacity the program would require to evaluate applications and complete eligibility verifications based on the modified requirements laid out in the Bill.

**DHCD objects to the substitution of legacy resident for additional eligibility criteria which only add confusion and additional layers of review. DHCD would recommend removing the eligibility requirements all together and truly give the department discretion in prioritizing applicants based on equity considerations developed in the rules and regulations, not codified in a new program.**

#### Amendment No. 3

Removes two criteria from the legislation for the inclusion of a property on the registry. DHCD appreciates that this amendment would remove the ambiguous language requiring the agency to determine if a property is able to be "repaired and made compliant" and "likely to be purchased by a prospective homeowner." **We would suggest deleting the registry requirement all together. DHCD already has a registry and it does not need to be duplicated for the purpose of this program.**

#### Amendment No. 4

Codifies that returning citizens and their families may not be excluded from the Dollar Homes program for periods of incarceration, parole, and probation if they are otherwise eligible to participate. **DHCD takes no position on this amendment.**

DHCD does not currently evaluate applications for purchase of City owned property based on an applicant's criminal record or status.

DHCD evaluates applications to determine:

1. The appropriateness of the proposed project or rehabilitation
2. The feasibility of the proposed development
3. The capacity of the applicant to undertake and complete the project and the ability to demonstrate appropriate financial resources
4. An acceptable credit history, a record of responsible property ownership and management
5. And, where applicable, previous development experience

Presently anyone can submit an application and properties are awarded based on information contained in the application package and in consideration of any applications that have been received from other buyers. DHCD is not opposed to employing additional equity considerations when evaluating applications in order to prioritize applicants for the same property but those considerations should be developed in the rules and regulations not codified in a new program.

#### Amendment No. 5

Removes the unconstitutional requirement for proof of residence and renumbers accordingly. **Amendment has no impact on agency position.**

#### Amendment No. 6

Adds additional application requirements to include a homeowner counseling certificate from both a city approved, **and** HUD approved counseling agency and requires the application to include any authorized and applicable tax credits, to focus the program on lower income and Baltimore City Residents. **DHCD takes no position on this amendment.**

#### Amendment No. 7

Removes the Department's duty to; create and provide an estimate for the cost of repair, complete a walk-through inspection of the property with a staff member of the program and complete an itemized list of repairs. **DHCD does not object to this amendment.**

The second part of Amendment 7 clarifies the order in which priority should be given when in receipt of multiple applications for the same property. **DHCD takes no position on this amendment.**



Part 3 of Amendment 7 deletes the reference to funds in Escrow. **Amendment has no impact on agency position.**

The 4<sup>th</sup> part of Amendment 7 removes the requirement for the program participant to obtain a use and occupancy permit, or temporary certificate of occupancy and take residency within 6 months of executing the lease and instead requires that the participant make repairs during the term of the lease as specified by the itemized bank documents. While the timeline in the introductory legislation was unreasonable removing the timeline altogether may lead to rehabs taking multiple years. DHCD typically requires that those purchasing vacant City owned property abate the vacant building notice and obtain a U & O within 12 to 18 months. **Amendment has no impact on agency position.**

#### Amendment No. 8

Removes the program requirements for the Violation of the lease and the requirement for a final inspection. Amendment 8 retains the requirement for quarterly inspections and removes the requirement for a final inspection.

In practice, quarterly inspections are not needed as long as program participants pull permits and call for appropriate work inspections and final inspections are not necessary and should be satisfied as long as the program participant obtains their use and occupancy permit. The requirement for quarterly inspections should additionally be removed from the legislation by way of Amendment 8. **DHCD takes no position on this amendment.**

#### Amendment No. 9

Removes the extension of program participation and replaces it with a method for recapture and require participants to maintain the property as their primary residence for 10 years. DHCD previously recommended a requirement for owner-occupancy. **DHCD does not object to this amendment however it does not impact the agency position on the Bill.**

Additionally, this amendment extends the effective date from December 31, 2025, to 2030, however it fails to take into account that the legislation would still take effect on the 30th day after enactment. If this legislation is to progress DHCD would recommend an amendment to move the effective date to 365 days after enactment to allow the agency time for additional hiring and program design.

### Conclusion

While DHCD does not object to any of the amendments proposed by the Council President and appreciates the Sponsor's attempt to incorporate some of the areas of concern outlined in the various agencies Bill reports, the amendments do not change DHCD's opposition to the Bill and does not address the root barriers to affordable homeownership and access to capital.

This legislation represents an unfunded mandate that is duplicative, and in many cases more restrictive, of many services and incentives the agency already provides. The program being proposed is based on flawed estimations of repair cost and a lack of understanding of the inventory of properties that would qualify to participate.

Even if the eligibility standards were to be amended to meet legal requirements the program doesn't offer enough financial support to program participants. The grants fall short of the \$100,000 to \$300,000 needed to renovate some of the City's vacants, and relies heavily on local banks to act as lenders for this program and provide low interest loans to participants. Access to capital and the ability to complete the renovation in a timely manner are the most important factors to a successful Vacants to Value or \$1 House program.

Currently all city-owned property is listed publicly, and anyone can submit an offer to purchase. These properties are mostly in disinvested, historically redlined neighborhoods, and anyone can submit an offer. DHCD requires proof of financing to fully renovate the property and does not prioritize applicants by factors such as criminal status, source of income, residency requirements, debt, bankruptcy or housing status.

DHCD prioritizes applicants based on their ability to efficiently and effectively return a blighting vacant property back to productive reuse for the health and safety of our citizens. DHCD is dedicated to making the program more accessible to City residents with the greatest economic need and history of systemic oppression. DHCD has been conducting a review of property disposition policies to identify opportunities to advance equitable access to property, as well as increase disposition efficiencies.