HB 1349

Department of Legislative Services

Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 1349 (Delegate Branch)
Economic Matters and Environmental Matters

Maryland Community Enhancement Transit-Oriented Development Fund

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This bill establishes the Maryland Community Enhancement Transit-Oriented Development Fund to promote and assist community-based initiatives in qualified project areas. A "qualified project area" is a community located in a qualified distressed county directly impacted by and within 2.5 miles of a transit-oriented development (TOD) project. The fund consists of money from several sources, including State appropriations, certain ground rents and land sale proceeds, community development block grants, money made available by other governmental sources, proceeds of general obligation (GO) bonds and grant anticipation revenue vehicles made available to the fund, and contributions from the private developers of the TOD project.

Fiscal Summary

State Effect: While the bill provides for authorized sources of funding, it does not mandate an appropriation or otherwise specify a transfer of money to the Maryland Community Enhancement Transit-Oriented Development Fund. As support of the fund is discretionary, it is unknown whether the bill will result in an increase in expenditures from any existing State fund. Potential impact on Comptroller operations and expenditures to account for, and ensure proper use of, money distributed to the fund.

Local Effect: Local revenues increase to the extent that money is distributed from the fund to a local governing body in a qualified distressed county. Expenditures may increase correspondingly to support the authorized uses of the fund.

Small Business Effect: Potential meaningful impact on nonprofit organizations and community development corporations authorized to receive money under the bill.

Analysis

Bill Summary: One of the sources of money for the fund may be ground rents or land sale proceeds realized from the sale or lease of real property to a private entity for TOD, at the discretion of the State agency disposing of the property. Money contributed to the fund by private developers must be separately accounted for so that the revenue derived from a development returns to a qualified recipient in the qualified project area. Generally, the bill requires that money paid into the fund be held separately by the State Treasurer and accounted for by the Comptroller. The Comptroller must, except for the money contributed by the private developers and held separately, pay money in annual installments to the relevant local governing body where the qualified project is located.

The fund may be used by a local governing body, or awarded to a qualified recipient, only for (1) operating support for, or capacity building of, qualified recipients; (2) economic and physical improvements that revitalize the community; (3) the development of women-owned, minority-owned, and small businesses; (4) development of recreational facilities, parks, or improvements to the natural environment; (5) development and preservation of affordable and workplace housing; (6) expansion of school programs and capital improvements to area school facilities; (7) job training and workforce development; or (8) counseling for housing and small business development. The Comptroller must ensure that money distributed from the fund to a local governing body is used in the manner that best accomplishes the purposes of the fund.

A "qualified project area" is a community that is located in a qualified distressed county and is directly impacted by and within 2.5 miles of TOD. A county qualifies as distressed if the county's average unemployment rate exceeds 150%, or its per capita personal income does not exceed 67% of the State's 24-month average at any time in the preceding 12 months. A "qualified recipient" is a nonprofit, community-based organization, located in and serving a qualified project area, with experience in making physical, human capital, and economic investments to rebuild communities, or a community development corporation.

Current Law: It is the policy of the State that the development of improved and expanded railroad facilities, railroad services, transit facilities, and transit services operating as a unified and coordinated regional transportation system, and the realization of TOD throughout the State, represent transportation purposes that are essential for the satisfactory movement of people and goods, the alleviation of present and future traffic congestion, the economic welfare and vitality, and the development of the metropolitan area of Baltimore and other political subdivisions of the State.

"Transit-oriented development" is a mix of private or public parking facilities, commercial and residential structures, and uses, improvements, and facilities customarily appurtenant to such facilities and uses, that is:

- part of a deliberate development plan or strategy involving (1) property that is adjacent to the passenger boarding and alighting location of a planned or existing transit station; or (2) property, any part of which is located within one-half mile of the passenger boarding and alighting location of a planned or existing transit station;

- planned to maximize the use of transit, walking, and bicycling by residents and employees; and

- designated as TOD by (1) the Secretary of Transportation after considering a recommendation of the Smart Growth Subcabinet; and (2) the local government or multicounty agency with land use and planning responsibility for the relevant area.

Background: TOD is a development style that leverages transit stations as the foundation for vibrant communities with a dense mix of commercial, residential, and retail development. By clustering development around transit sites, TOD seeks to maximize the State's investment in transit by promoting increased ridership and enhanced opportunities for pedestrian and bicycle mobility. The benefits of TOD may include easing congestion on roadways, curbing greenhouse gas emissions, reducing pollution, and providing a viable alternative to sprawl.

In September 2009, Governor O'Malley released an Executive Order (01.01.2009.12) on locating State facilities to stimulate TOD. Specifically, the executive order states that it is the policy of the State to locate State office or laboratory space within a half-mile radius of transit stations at TOD whenever appropriate and feasible without diminishing the accessibility of services to the citizens of the State.

The Maryland Department of Transportation (MDOT) is partnering with local agencies to identify and implement land use regulations that support transit and pedestrian-friendly development in proximity to major transit facilities. MDOT has also been conducting analysis and planning to identify station area needs and opportunities. MDOT also undertakes mixed-use, transit-focused, and pedestrian-friendly developments with private partners and leverages available federal funds to facilitate TOD development.

To identify station areas with the greatest TOD potential, MDOT evaluates existing land uses and physical characteristics, the perspective of surrounding communities, regulations, market strength, and other issues. Maryland's TOD strategy is built around several goals:

- ensuring that adjacent station areas are economically ready for development;
- building State agencies' and local jurisdictions' understanding of TOD and their ability to carry out TOD projects;
- strengthening public support for TOD throughout the Baltimore and Washington metropolitan areas; and
- enhancing the potential for federal funding to expand transit in the Baltimore area by showing that development patterns can support transit.

MDOT has over 75 sites that are potential TOD projects. TOD opportunities exist along the Baltimore Metrorail System, the Baltimore Central Light Rail Line, and the Maryland Rail Commuter Lines throughout the Baltimore and Washington regions. In Maryland, several sites are being considered or are under development in accordance with TOD principles, including the Laurel MARC station, the Odenton MARC station, Metro Centre at Owings Mills, the Reisterstown Plaza metro station, the Savage MARC station, and the State Center in Baltimore.

State Fiscal Effect: To the extent that the bill results in distribution of money to the fund, the Comptroller will incur an additional operational burden, which may result in the need for additional personnel. In addition to requiring the Comptroller to account for any money distributed to the fund, the bill also requires the Comptroller to ensure that money distributed from the fund to a local governing body is used in the manner that best accomplishes the purposes of the fund. This is an activity that is generally outside the scope of the Comptroller's normal functions, and thus may result in the need to hire an additional accountant or other personnel if there are a significant number of distributions to the fund. The Department of General Services also advises that as the agency responsible for a significant share of State property, it may be involved in accounting for proceeds contributed to the new fund from ground leases.

The bill may result in a minimal operational burden on MDOT and other agencies involved in TOD. Several agencies also advise that any diversion of bond or other proceeds under the bill from existing uses will result in an adverse impact on their agencies and the mission of the various programs that are currently supported by such funds, including TOD.

The State Treasurer's Office advises that GO bond proceeds are typically limited to capital projects and not for operating support and other uses authorized under the bill.

Finally, Legislative Services notes that the bill does not specifically identify which State agency administers the new fund; however, since the fund is established in the Economic Development Article, it is assumed that the Department of Budget and Economic Development is involved, and thus could also be affected.

Local Fiscal Effect: The bill only applies to qualified distressed counties, which as of November 2010, includes Baltimore City and Allegany, Caroline, Cecil, Dorchester, Garrett, Somerset, and Worcester counties. Local revenues may increase for any of these jurisdictions to the extent that money is received from the Maryland Community Enhancement Transit-Oriented Development Fund. Expenditures increase correspondingly to support the specified uses of the fund authorized in the bill. It is unclear if the fund could also be used to support any additional personnel hired by a jurisdiction to implement the bill.

Additional Information

Prior Introductions: SB 832 of 2010 received an unfavorable report from the Senate Finance Committee. Similar provisions were included in SB 890 of 2009, which was withdrawn.

Cross File: SB 215 (Senator Jones-Rodwell) - Finance.

Information Source(s): Anne Arundel, Charles, Frederick, Howard, and Montgomery counties; Baltimore City; City of Frederick; City of Havre de Grace; Department of Business and Economic Development; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland Department of the Environment; Department of General Services; Department of Housing and Community Development; Department of Labor, Licensing, and Regulation; Public School Construction Program; State Treasurer's Office; Department of Legislative Services

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