

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1327

(Delegate Lafferty)

Environmental Matters

Education, Health, and Environmental Affairs

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**Community Legacy Program - Sustainable Community Designation - Time  
Extension**

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This bill extends the date, to December 31, 2013, throughout which specified sustainable communities retain their current designation and by which they may apply for redesignation as a sustainable community with the Department of Housing and Community Development (DHCD).

The bill takes effect June 1, 2012.

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**Fiscal Summary**

**State Effect:** The extension of current designations and the deadline to apply for redesignation for specified sustainable communities is not anticipated to materially affect State finances.

**Local Effect:** The extension of current designations and the deadline to apply for redesignation for specified sustainable communities is not anticipated to materially affect local finances.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill extends both the designation status of specified designated sustainable communities and extends the deadline by which they can apply for redesignation. A community legacy area approved by the Community Legacy Board prior to June 1, 2010, is considered a sustainable community until December 31, 2013.

Any designated neighborhood approved by the Secretary of Housing and Community Development prior to June 1, 2010, is considered a sustainable community until December 31, 2013.

By December 31, 2013, a sponsor must file an application to redesignate any approved designated neighborhood as a sustainable community for projects to remain eligible for financial assistance from the various programs that support sustainable communities.

### **Current Law:**

#### *Designation as a Sustainable Community*

Pursuant to the Sustainable Communities Act of 2010, there are multiple pathways and associated timeframes to designation as a sustainable community. A community legacy area approved by the Community Legacy Board prior to January 1, 2008, is considered a sustainable community until June 1, 2012. A community legacy area approved by the Community Legacy Board on or after January 1, 2008, is considered a sustainable community until June 1, 2013.

Any designated neighborhood approved by the Secretary of Housing and Community Development prior to June 1, 2010, is considered a sustainable community until June 1, 2012.

By June 1, 2012, a sponsor must file an application to redesignate any approved designated neighborhood as a sustainable community for projects to remain eligible for financial assistance from the various programs that support sustainable communities.

A sustainable community designated (or redesignated) after June 1, 2010, retains its designation for five years. To maintain a sustainable community designation, an updated action plan and application must be sent every five years to DHCD.

A sustainable community also includes an area that has been designated as a Base Realignment and Closure (BRAC) revitalization zone or has been designated as a Transit-oriented Development (TOD) district. They do not need to apply for redesignation, but they are required to submit an action plan to be eligible to apply for sustainable community resources.

#### *Sustainable Community Applications*

Sustainable community applications and sustainable community action plans are sent to DHCD and approved by the Smart Growth Subcabinet on recommendation of the Secretary of Housing and Community Development. In designating an area as a

sustainable community, the Smart Growth Subcabinet must consider whether there is a need for reinvestment in the area and if:

- entities in the local jurisdictions support the proposed plan and have pledged resources to implement it;
- the proposed plan addresses the need for reinvestment in the area and will enhance the area;
- the community in the proposed area is culturally or historically significant;
- the proposed area is near a town center or transportation center;
- the proposed plan is consistent with other specified projects; or
- there is a demonstrated need for financing assistance for small businesses or nonprofit organizations.

There is no limit on the number of times an area may be redesignated as a sustainable community.

**Background:** According to DHCD, there are approximately 150 sustainable communities in the State, including BRAC and TOD districts that are automatically designated. DHCD anticipates redesignating an additional 20 to 25 sustainable communities in the months before the June 1, 2012 deadline in current law for specified sustainable communities. Legislative Services notes that, were a sustainable community to lose its designation due to the current deadline, it could reapply for designation at any time.

Pursuant to the Sustainable Communities Act of 2010, most areas that formerly were designated as community legacy areas or designated neighborhoods must renew their designations by June 1, 2012. A series of application rounds have been organized by DHCD as follows:

- Round I: Opened June 15, 2011, and closed September 1, 2011;
- Round II: Opened September 1, 2011, and closed January 5, 2012;
- Round III: Opened January 5, 2012, and closes April 10, 2012; and
- Round IV: Opens April 11, 2012, and closes July 2, 2012.

Complete applications received by the closing date of each round will be reviewed by interagency State teams, and recommendations will be presented to the Secretary of Housing and Community Development and then to the Smart Growth Subcabinet within approximately three months.

DHCD advises that this bill will provide local jurisdictions with additional time to apply for redesignation, which may help them prepare a more comprehensive revitalization strategy.

### *Sustainable Community Area Benefits*

Current State programs that provide financial incentives to designated sustainable communities include:

- *Community Legacy Program* – Administered by DHCD, the program provides local governments and community development organizations with financial assistance to strengthen communities through such activities as business retention and attraction, encouraging homeownership, and commercial revitalization. Program funds are restricted to designated sustainable communities. The proposed fiscal 2013 capital budget for the program includes \$6.0 million in general obligation (GO) bonds for the program.
- *Neighborhood Business Development Program* – Administered by DHCD, the program provides loans through gap financing, *i.e.*, subordinate financing, to new or expanding small businesses and nonprofit organizations. Program funds are restricted to designated sustainable communities. The proposed fiscal 2013 capital budget includes \$4.3 million for the program (\$2.4 million in GO bonds and \$1.9 million in pay-as-you-go or PAYGO special funds).
- *Maryland Sustainable Communities Tax Credit* – Administered by the Maryland Historical Trust, State income tax credits are available based on a percentage of the qualified capital costs expended in the rehabilitation of a qualified structure. Nonhistoric qualified rehabilitated structures in designated sustainable communities can be eligible for a 10% credit. A 20% credit for historic structures is also available. The program awarded \$11.2 million in credits in fiscal 2011 and \$7.0 million in credits in fiscal 2012.
- *Job Creation Tax Credit* – Administered by the Department of Business and Economic Development, the tax credit is designed to encourage businesses to expand in or relocate to the State. Enhanced incentives are provided in designated revitalization areas, including sustainable communities. The standard credit is 2.5% of annual wages up to \$1,000 per new job. For businesses located in a revitalization area, the credit is 5% of annual wages up to \$1,500 per new job, and the threshold to qualify for the tax credit drops from 60 to 25 jobs created. Credits can be claimed only for qualified positions at a newly established or expanded facility that commences operations before January 1, 2013.

- *Sidewalk Retrofit Program* – Administered by the Maryland Department of Transportation, the program helps finance the construction and replacement of sidewalks along State highways. The program covers 50% of the cost for approved projects. For projects located in a sustainable community, the program covers 100% of the cost. The *2012-2017 Consolidated Transportation Program* includes \$2.5 million for the program in fiscal 2013.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Planning, Department of Housing and Community Development, Department of Business and Economic Development, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2012  
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