

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 28 (Anne Arundel County Delegation)
 Environment and Transportation

Rules

Commission on the Disposition of the Crownsville Hospital Center Property

This bill establishes the Commission on the Disposition of the Crownsville Hospital Center Property to sell, transfer, or otherwise dispose of the Crownsville Hospital Center property, taking into consideration the recommendations of a prior task force. The commission is authorized to sell, transfer, or otherwise dispose of the property; enter into a contract; and execute any instrument that is necessary or convenient. The Governor must designate the chair of the commission. A member of the commission may not receive compensation. The Department of General Services (DGS) must provide staff for the commission.

The bill takes effect June 1, 2016, and terminates June 30, 2018.

Fiscal Summary

State Effect: No effect in FY 2016. General fund expenditures by DGS increase by \$35,800 in FY 2017 and terminate in FY 2019 to staff the commission and manage the disposition of the Crownsville Hospital property. To the extent that additional legal assistance is necessary to complete the disposition, the Office of the Attorney General may incur additional expenses to retain outside counsel with expertise in real estate. Depending on how disposition of the property is carried out, general fund expenditures by the Department of Health and Mental Hygiene (DHMH) for property maintenance may be reduced by as much as \$1.2 million beginning in FY 2019, after the disposal of the property. Special fund revenues may increase on a one-time basis from the potential sale of the property to private interests, but a reliable estimate cannot be made.

| (in dollars) | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|----------------|---------|------------|------------|---------------|---------------|
| SF Revenue | \$0 | \$0 | - | \$0 | \$0 |
| GF Expenditure | \$0 | \$35,800 | \$29,400 | (\$1,200,000) | (\$1,200,000) |
| Net Effect | \$0 | (\$35,800) | (\$29,400) | \$1,200,000 | \$1,200,000 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None. Anne Arundel County has indicated that it has no interest in assuming ownership of the property. However, if the property is ultimately sold to a private developer, the county may experience direct and indirect economic benefits from its development over the long term.

Small Business Effect: None.

Analysis

Current Law: Each State agency must notify the Maryland Department of Planning (MDP) in writing of any real property that is in excess of the agency's needs. Upon receiving such notification, MDP must:

- study the proper disposition of the property;
- determine whether any local government or unit of State government is interested in the property; and
- make an appropriate recommendation on the disposal of the property to the agency and to the Board of Public Works (BPW).

Statute requires specific information that must be included in the written notification to MDP, and MDP is required to notify the following parties when it receives notification of excess property from a State agency:

- specified committees of the General Assembly;
- members of the General Assembly who represent the district in which the property is located; and
- owners of adjacent property.

Background: Crownsville Hospital Center opened in the early 1900s and was originally called the "Asylum for the Negro Insane." Located in Anne Arundel County, the property served as a State-run psychiatric hospital until it was closed in June 2004. Due to the size and historical significance of the Crownsville Hospital Center, MDP has been involved in the disposition process of the property. When DHMH closed the Crownsville Hospital Center, it provided MDP with appropriate notification regarding excess property, which includes 544 acres and 69 buildings, three-quarters of which are vacant. It is projected that DHMH will spend \$1.2 million on security and maintenance for the property in fiscal 2016.

The 200 patients residing at the hospital at the time of closure were transferred to other State hospital centers and community programs. However, the campus still has 10 tenants, including three nonprofit behavioral health providers operating beds to serve adults and

children with mental illness or addictions. The Maryland Environmental Service (MES) operates the State-owned water and sewer systems located on the Crownsville property. These systems serve the former hospital campus, a Department of Housing and Community Development building, and several county-owned and privately owned properties adjacent to the campus. DHMH pays MES to operate and maintain the water and sewer systems. DHMH also contracts with Anne Arundel County for property maintenance in accordance with perpetual care standards in statute.

Historic Significance: In 2000, MDP's Maryland Historical Trust (MHT) used information gathered from a 1986 historic resource survey to make a formal finding that the property is eligible for listing in the Maryland Register of Historic Properties and the National Register of Historic Places. This determination means that DHMH has several restrictions when transferring the property, including (1) avoiding, reducing, or mitigating adverse effects to the historic district; (2) consulting with the public; and (3) completing historical mitigation if it does proceed with adverse action. Examples of adverse action are demolition of historic buildings or the transfer of the property out of State control without easements or other restrictions to ensure long-term preservation. MHT advises that, since the original finding of eligibility for listing in the Maryland and national registers was based on research and standards that are now 30 years old, a new evaluation is likely necessary.

The Maryland State Clearinghouse for Intergovernmental Assistance (Clearinghouse) also completed a review of the property and has been directly involved in the disposition process. The Clearinghouse review began by convening an interagency committee in 2007 with representatives from MDP, DHMH, DGS, the Maryland Department of Transportation, the former Department of Business and Economic Development, and MES. The workgroup established guiding principles that were used to evaluate proposals of interest in the Crownsville property from other State agencies. At that time, the committee concluded that the proposed State uses did not meet the guiding principles and, thus, recommended that a request for expressions of interest (REOI) be issued.

This REOI was issued in 2008 by DGS and DHMH; it garnered 11 proposals, 4 of which were selected for consideration. However, negotiations ultimately failed, and there was no final agreement. As there have been no negotiations since 2009, the property is still in DHMH possession. On December 7, 2009, the Clearinghouse issued a formal recommendation for transfer of the property. The recommendation's guiding principles focused on minimizing short- and long-term costs to the State, maximizing the return to the State, and limiting the intensity of uses on the site. The recommendation was valid for a period of three years, so it is likely that the recommendation needs to be revisited and updated.

Crownsville Hospital Cemetery: The Crownsville Hospital Center campus has an area known as the Crownsville Hospital Cemetery. In 1926, the first person was laid to rest, and in 1958, the last known burial took place. It is estimated that approximately 3,000 individuals were buried during the intervening years. Many individuals (both children and adults) who died at the hospital and had no relatives or friends were buried in this area. The Legislative Black Caucus held a hearing in September 2013 to discuss concerns about the Crownsville Hospital Cemetery and the treatment of African Americans at State hospitals. Concerned local residents expressed interest in having the cemetery history researched and publicized. Some hope that the site can serve as a memorial to honor former patients. Chapter 305 of 2014 established perpetual care maintenance requirements for the cemetery and required DHMH to publish an annual report about the implementation of the new law and the status of the cemetery.

In 2013, MHT provided DHMH with a draft Invitation for Bid for a Preservation Plan for Crownsville Cemetery. DHMH is moving forward with this plan and contracted with a professor from Howard Community College to conduct a remote sensing study (now completed) to determine the extent of the burials at the cemetery.

Task Force: The Task Force on the Disposition of the Crownsville Hospital Center Property was established by Chapter 394 of 2015 and issued its report on January 1, 2016, but “was not able to fully address” all of the issues it was charged with examining. The task force recommended immediate action to initiate the Clearinghouse review process, after which the property should be submitted to BPW for surplus approval. Once BPW approves the property as surplus, the task force recommended that one of the following recommendations be pursued:

- request that Anne Arundel County reconsider taking ownership of the property. The task force received written notice from the Anne Arundel County Executive that the county has no interest in taking possession of the property. If the county does not change its position, the task force recommends that DHMH should issue a request for proposals for the sale and redevelopment of the property;
- create a local development authority to dispose of the property, similar to those created in Cecil and Washington counties for the disposal of comparable properties;
or
- establish a commission to dispose of the property and transfer the property to DGS.

The commission also recommended that the State conduct a feasibility study to prepare the property for disposition in case either of the last two options is pursued. This bill implements the third option.

State Fiscal Effect: Several factors complicate the potential disposition of the Crownsville Hospital property, including:

- transferring ownership from DHMH to DGS;
- leases with 10 different tenants on the property;
- the presence of U.S. Coast Guard and Maryland Institute for Emergency Medical Services Systems radio towers on the property;
- lead paint and asbestos in many of the hospital buildings and potentially in the ground;
- designation of many of the buildings as historic landmarks; and
- the historic significance of the Crownsville Hospital Cemetery.

To manage these multiple transactions and complicating factors, DGS’s Office of Real Estate requires a part-time acquisition specialist, who will also staff the commission. Therefore, general fund expenditures increase by \$35,837 in fiscal 2017; although the bill is effective June 1, 2016, this estimate assumes a 30-day delay to fill the new position. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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|---|-----------------|
| Contractual Position | 0.5 |
| Salary and Fringe Benefits | \$31,173 |
| Operating Expenses | <u>4,664</u> |
| Total FY 2017 State Expenditures | \$35,837 |

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that additional legal assistance is necessary to complete the disposition, expenditures may further increase to retain outside counsel with expertise in real estate. Expenditures terminate in fiscal 2019 when the commission ceases operation; if the property is disposed of prior to that, expenditures may end sooner.

Depending on how disposition of the property is carried out, general fund expenditures by DHMH to maintain the Crownsville Hospital property may be eliminated or substantially reduced. DHMH advises that it generates insignificant revenue from current tenants on the property as most of the leases are for \$1. Therefore, there is no foregone lease revenue.

The Behavioral Health Administration advises that proceeds from the sale of Crownsville Hospital are payable to the Community Services Trust Fund, not the general fund.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Department of Health and Mental Hygiene, Maryland Historical Trust, *Capital Gazette*, Department of Legislative Services

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