

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 605
Economic Matters

(Washington County Delegation)

Finance

PenMar Development Corporation - Dissolution - Authority of Washington
County Over Fort Ritchie

This emergency bill repeals provisions establishing the PenMar Development Corporation (PMDC), its powers and duties, and related requirements. Any remaining right, title, and interest in real property, together with all contracts, leases, liabilities, and personal property held by PMDC must be transferred to the Board of County Commissioners for Washington County on the effective date of the bill. The bill further specifies that, if an issue arises concerning the transfer from PMDC to the board, any concerned party must refer to the memorandum of understanding (MOU) between PMDC and the board, dated July 12, 2016, in order to resolve the issue.

Fiscal Summary

State Effect: None. PMDC did not receive any State funding in FY 2017, and there is no State funding budgeted in FY 2018. Pursuant to the MOU with Washington County, PMDC no longer owns the Fort Ritchie property and, therefore, is unlikely to receive any State funding in the future.

Local Effect: Washington County revenues increase by approximately \$500,000 in FY 2017 from required transfers from PMDC under the bill. County expenditures increase by \$40,000 in FY 2017, possibly extending slightly into FY 2018, to provide PMDC with funding to close out its affairs. The remaining funds are likely spent beginning as early as FY 2017 to continue development and maintenance of the Fort Ritchie property.

Small Business Effect: None.

Analysis

Current Law/Background: PMDC was established by Chapter 737 of 1997 to mitigate the economic stress placed on Washington County by the closure of the Fort Ritchie U.S. Army Base. Legislative intent is that PMDC (1) structure its projects in a manner that accelerates the transfer of facilities and sites into productive use in the private sector and (2) cooperate with the county commissioners in maximizing new economic opportunities for the residents of the State. PMDC is a body politic and corporate and an instrumentality of the State, with similar powers to other State instrumentalities. For example, PMDC may acquire property and fix and collect rates, rentals, fees, and charges for services and facilities it provides or makes available.

Transfer of Fort Ritchie Property to Washington County

Until recently, PMDC owned a significant portion of land and structures on what was formerly Fort Ritchie. On July 12, 2016, PMDC and the Board of County Commissioners for Washington County entered into an MOU to transfer the Fort Ritchie property to the county. PMDC was required to convey to the board, for no monetary consideration, all rights, title, and interest in and to all real property, together with all contracts, leases, liabilities, and most personal property by September 15, 2016. The MOU specifies that PMDC retained \$600,000 for its expenses.

All funds transferred to the board must be used for the continuing development and maintenance of the Fort Ritchie property. The board agreed in the MOU to pursue development of the property, with a return to private ownership as deemed appropriate, and to increase the overall taxable base of the county. The MOU specifies that the board envisions use of the property to eventually include residential, institutional, commercial, retail, and mixed uses by a variety of businesses and residents.

At the time of the MOU, PMDC was leasing approximately 88 residential housing units. The MOU specifies that the board anticipates that all residential units on the property will be vacated by July 1, 2017.

Both parties represented to the other that they had the full authority and power to enter into the MOU, to execute and deliver the MOU, and to comply with, and carry out all of, the terms and obligations in the MOU.

The MOU includes further detail concerning the terms of the transfer.

Local Effect: The July 12, 2016 MOU required the transfer of most of PMDC's assets and liabilities to the board by September 15, 2016, but allowed PMDC to retain \$600,000 for its expenses. The bill requires the immediate transfer of any remaining assets or

liabilities from PMDC to the board. Therefore, Washington County revenues increase by approximately \$500,000 in fiscal 2017 as the remaining funds are transferred. County expenditures increase by approximately \$40,000 in fiscal 2017, possibly extending slightly into fiscal 2018, to provide PMDC with funding to close out its affairs. The remaining funds are likely spent beginning as early as fiscal 2017 to continue development and maintenance of the Fort Ritchie property.

Additional Information

Prior Introductions: None.

Cross File: SB 204 (Washington County Senators) - Finance.

Information Source(s): Department of Commerce; Washington County; *The Frederick News-Post*; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2017
md/rhh Third Reader - March 6, 2017

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