HB 1345

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1345 (Delegates A. Washington and Healey)
Environment and Transportation Finance

National Capital Strategic Economic Development Fund

This bill establishes the National Capital Strategic Economic Development Fund within the Department of Housing and Community Development (DHCD) to provide grants to government agencies and nonprofit community development organizations to assist in predevelopment activities for commercial and residential development (including site acquisition, land assembly, architecture and engineering, and site development) for revitalization in areas designated as sustainable communities.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by $1.5 million in FY 2018 and by $2 million annually thereafter to capitalize the fund. Special fund revenues to and expenditures from the fund increase correspondingly. General fund administrative expenditures for DHCD increase by approximately $62,700 in FY 2018; future year administrative expenditures reflect annualization and ongoing costs.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	$1,500,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
GF Expenditure	$1,562,700	$2,078,900	$2,082,400	$2,086,200	$2,090,200
SF Expenditure	$1,500,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Net Effect	($1,562,700)	($2,078,900)	($2,082,400)	($2,086,200)	($2,090,200)

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

Local Effect: Because local governments are eligible to receive grants under the bill, local revenues in eligible jurisdictions may increase beginning in FY 2018. Expenditures increase correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The fund consists of (1) money appropriated in the State budget; (2) interest earnings; and (3) any other money from any other source accepted for the benefit of the fund.

Commercial and residential development projects include:

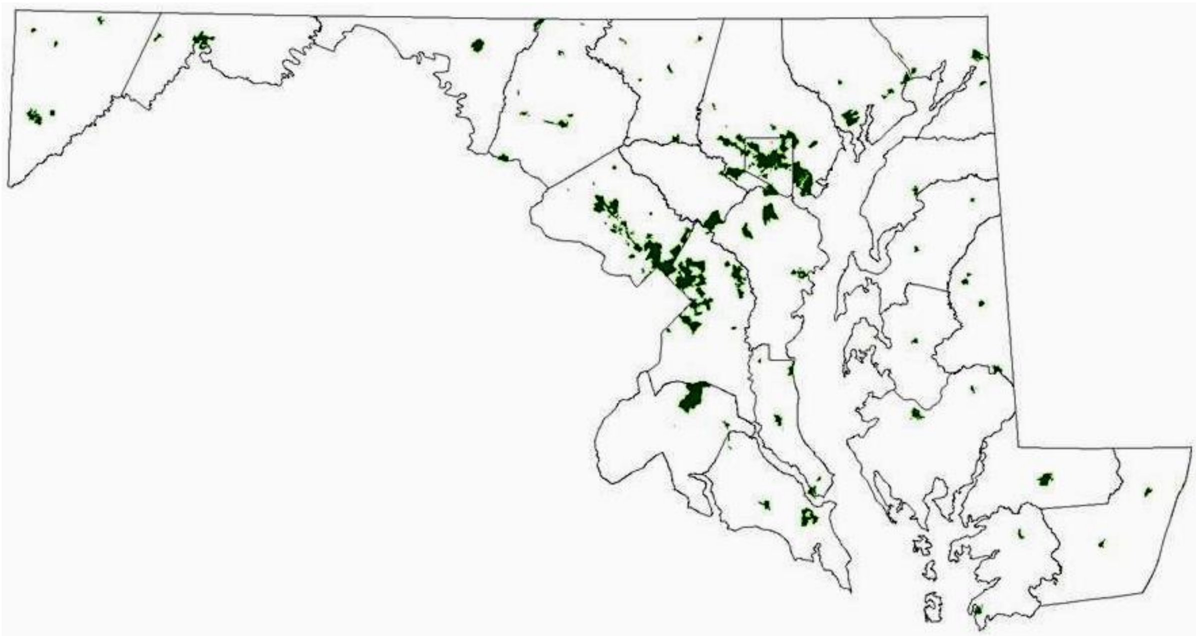
- renovation and rehabilitation of single family homes;
- acquisition and rehabilitation of vacant homes for resale to new homebuyers;
- improvements to business properties;
- enhancement of community open space or public infrastructure; and
- workforce and employment development programs.

For fiscal 2019 and each fiscal year thereafter, eligible grantees must provide evidence of a matching fund that is equal to $1 for every $4 in State funding from the fund. The matching fund may include (1) money from the federal government, a local government, or any other public or private source; (2) real property; (3) in-kind contributions; and (4) funds expended before the date the grant is awarded. DHCD must award the grants on a competitive basis.

Projects must be located in areas designated as sustainable communities. If the Governor includes an appropriation to the fund in the annual budget bill, 85% must be allocated for projects in areas of the State located between Interstate 495 and the District of Columbia (which are located in Montgomery and Prince George's counties) and the remaining 15% for projects throughout the State.

Current Law/Background: A "sustainable community" is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development. **Exhibit 1** shows the location of sustainable communities in the State.

Exhibit 1
Sustainable Communities in Maryland



Source: Department of Legislative Services

State Fiscal Effect: Although the bill does not require a specific amount of funding to be appropriated to the fund in any given year, this analysis assumes a minimum level of $2 million annually is required in order to operate the grant program under the bill. Thus, general fund expenditures increase by $1.5 million in fiscal 2018 (assuming a 90-day start-up delay from the bill's July 1, 2017 effective date) and $2 million annually thereafter in order capitalize the new fund. Special fund revenues to and from the fund increase correspondingly. This analysis does not reflect any special fund revenues that may accrue to the fund from investment earnings.

The bill does not authorize the special fund to be used for administrative expenses. Thus, general fund administrative expenditures for DHCD increase by $62,673 in fiscal 2018, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring one program administrator to manage the program. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	$57,564
Equipment/Operating Expenses	5,109
Total FY 2018 Admin. Expenditures	**$62,673**

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

Local Fiscal Effect: The bill authorizes the fund to be used to provide grants to government agencies, in addition to nonprofit community development organizations. Thus, under the bill, any units of local government that are eligible to receive funding under the bill and apply for funds, may receive grants beginning in fiscal 2018. Expenditures by units of local government increase correspondingly as the funds are used for the purposes specified by the bill. (However, the bill also requires a matching fund to be provided if funding is received from the program. To the extent that the bill encourages local governments to raise funds for projects that would not have been funded absent the bill, revenues and expenditures may increase further.)

Small Business Effect: Any small business involved in predevelopment activities in jurisdictions eligible for funding may receive additional business as a result of the bill. However, because the bill restricts most funding to projects in areas located between Interstate 495 and the District of Columbia, small businesses operating in that area are more likely to benefit under the bill than entities in other areas of the State.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Caroline and Montgomery counties; City of Bowie; Department of Housing and Community Development; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2017
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