

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 301 (The Speaker, *et al.*) (Administration)

Economic Matters

Economic and Environmental Affairs and
 Budget and Taxation

**"Smart Growth" and Neighborhood Conservation - Community Legacy
 Program**

This Administration bill establishes a Community Legacy Program within the Department of Housing and Community Development (DHCD) to provide financial assistance to “sponsors” or their designees for the development of “community legacy plans” or “community legacy projects.” The bill establishes a Community Legacy Financial Assistance Fund as a continuing, nonlapsing fund to provide financial assistance for the program. The bill establishes a five-member Community Legacy Board to administer the program and an 11-member advisory committee to the board to make recommendations concerning community legacy areas, plans, and projects.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: The FY 2002 budget includes \$10 million for the program (\$9 million in PAYGO general funds and \$1 million in general funds) contingent upon enactment of SB 202/HB 301. Special fund revenues and expenditures will increase correspondingly. Potential increase in special fund revenues from any investments, repayments, or other income. Future year expenditures reflect ongoing appropriations to the fund of \$10 million annually.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
GF Expenditure	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
SF Expenditure	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Net Effect	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)

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

Local Effect: Potential significant increase in revenues for local jurisdictions with qualifying revitalization projects.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: "Sponsor" means a local government, a group of local governments, or a community development organization. "Community development organization" means a corporation, foundation, or other legal entity that operates for the purpose of improving the physical, economic, or social environment of its geographic areas of operation. "Community legacy plan" means a plan submitted by a sponsor to the Community Legacy Board for approval that may consist of one or more community legacy projects designed to prevent or reverse decline or disinvestments in a community legacy area through improvements in residential, commercial, or other public or private properties. "Community legacy project" means a project or projects submitted by a sponsor to the board for approval that is consistent with a community legacy plan. "Community legacy area" means an area located in a priority funding area and determined by the board to satisfy the requirements of the bill.

DHCD must administer the fund in accordance with the recommendations of the board. The fund consists of: (1) moneys appropriated in the State budget; (2) investment earnings; (3) repayments and prepayments of financial assistance provided by the program; and (4) any other moneys accepted for the benefit of the fund from any governmental or private source.

A sponsor may file one or more applications in accordance with schedules established by the board. An application must: (1) describe one or more community legacy areas where the sponsor proposes to develop a community legacy plan or implement a community legacy project; (2) describe in detail the proposed plan or project; (3) state the amount and type of financial assistance requested; (4) specify the ability of a sponsor to carry out the proposed plan or project and the strength and quality of partnerships created for developing the plan or implementing the project; (5) propose benchmarks for evaluating whether the proposed plan or project results in a desired outcome such as stabilizing a proposed community legacy area, reversing the social, economic, and physical decline of a proposed area, or encouraging growth in the proposed area; and (6) describe the process used to solicit and receive public input on the proposed plan or project.

In order for the board to designate an area as a community legacy area, the sponsor must demonstrate that past and current trends in homeownership, property values, commercial and residential vacancy, and business or housing investment indicate that there is a need for reinvestment in the proposed area. In addition, one or more of the following conditions must be met:

- entities or amenities in the community such as employers, educational institutions, civic organizations, community organizations, or cultural organizations support the proposed plan or project and have pledged resources to its development or implementation;
- the proposed plan or project addresses the need for reinvestment in the area and enhances the area;
- there is a cultural or historical significance in the community or communities located in the proposed area;
- the proposed area is in close proximity to a town center or a transportation center; or
- the proposed plan or project is consistent with and complements other existing or proposed projects for housing, commercial or community development, education, historic preservation, neighborhood revitalization, transportation, or other factors significant to the comprehensive enhancement of the community.

The board must review all applications and accept public input on applications. The board must submit applications to appropriate State agencies and consider any recommendations made regarding the applications. The board must consider geographical balance in approving an application. The board must refer all approved applications to the Secretary. The board may not approve an application unless the sponsor obtains a resolution of local government approving an application.

DHCD must award financial assistance to a sponsor or designee in an amount and type determined by the board and pursuant to the terms of a “community legacy agreement.” A “community legacy agreement” means an agreement between DHCD and a sponsor to develop a community legacy plan or implement one or more community legacy projects in a designated community legacy area. No more than 15% of the total financial assistance provided by the program shall be used to finance noncapital expenditures. If a sponsor violates any provision of the agreement or ceases to meet the requirements of the bill, DHCD may exercise any remedy provided by the agreement or by law.

The bill authorizes DHCD to: (1) make or participate in making loans or grants and administer programs of financial assistance in support of approved projects; and (2) enforce the terms of grants, loans, or other financial assistance. With respect to loans or grants secured by first or subordinate mortgages or other liens, DHCD may:

- commence and pursue any action to protect or enforce any right conferred by law, contract, or other agreements;
- foreclose on property;
- bid for and purchase property at any foreclosure or at any other sale or acquire or take possession of the property through conveyance in lieu of foreclosure or otherwise, and convey property after acquisition;
- settle or compromise any debt or obligation to such property;
- pay the principal of and interest on any obligations incurred in connection with the property, and dispose of or otherwise deal with the property;
- release or sell any mortgage, obligation, or property held by it at public or private sale, with or without public bidding;
- require and obtain appraisals, credit information, and other information related to making loans;
- enter into contracts with any governmental or private party for the furnishing of property or services necessary to the operation of the program or the implementation of projects;
- enter into agreements with other government agencies for the purpose of establishing partnerships to carry out the program;
- establish time limits for the use of funds;
- charge interest on loans;
- consent to the modification of any provision of any loan or other financial assistance consistent with the best interests of the State;

- contract for and accept any grant, contribution, or loan of funds, property or other aid from the federal government and, subject to the provisions of the bill, do all things necessary to qualify for such aid or participate in or administer any federal program consistent with the purposes of the bill; or
- exercise all powers necessary or desirable for the implementation of the program.

The sponsor must submit quarterly reports to the board on the progress of developing a plan or implementing a project. The board must report to the Governor and the General Assembly before November 1 of each year on: (1) the financial status of the program for the preceding year, including the amount and type of financial assistance encumbered and disbursed; (2) the number of applications received; (3) the number and location of community legacy areas designated; and (4) the summary of the quarterly reports submitted by each sponsor.

The bill describes the membership for the board and the advisory committee and provides for the termination of the initial members of the advisory committee. The bill also provides that a member of the advisory committee may not receive compensation but is entitled to reimbursement for expenses under the standard State travel regulations. DCHD must provide staff support to the board and to the advisory committee.

Nothing in the bill shall be construed to grant or expand the power or authority of the State or a local government to condemn or take private property.

Current Law: DHCD is authorized to administer similar programs of financial assistance.

Background: In 1997 the General Assembly adopted Governor Glendening's Smart Growth legislative package in an effort to reduce the impact of urban sprawl on the environment and encourage growth in existing communities. The initiative, which was designed to protect Maryland's green spaces and to preserve the State's rural areas, aims to manage growth by restricting State funding to designated priority funding areas. Often cited as a model for other states, Maryland's Smart Growth initiative includes:

- the Rural Legacy Program, which protects large contiguous tracts of rural lands by providing funds to local governments and land trusts for the purchase of conservation easements;
- the Brownfields Voluntary Cleanup and Revitalization Incentive Program, which provides loans, grants, and property tax credits to encourage the cleanup and development of abandoned or underutilized industrial or commercial sites;

- the Job Creation Tax Credit, which promotes job creation and revitalization in priority funding areas by providing income tax credits to business owners who create at least 25 full-time jobs that pay at least minimum wage; and
- the Live Near Your Work Program, which is a partnership between DHCD, local governments, and Maryland's businesses and institutions to provide a cash incentive for employees to live near their work in targeted neighborhoods.

Since its inception, the Smart Growth initiative has: directed \$150 million in transportation dollars to downtown "streetscaping" projects; prompted cleanup and redevelopment of 57 brownfield sites; built over 50 miles of sidewalks in older communities; helped approximately 300 private-sector employees buy homes closer to their jobs; and protected over 47,000 acres of land from development. In October 2000, the John F. Kennedy School of Government at Harvard University and the Ford Foundation recognized the Smart Growth program as one of the nation's best examples of creative problem-solving in the public sector. Although it has received national attention, the Administration continues to propose ways to improve the program.

The Administration contends that sprawl development and other modifications to the landscape in Maryland continue at an alarming rate, threatening the existence of many communities throughout the State. The lack of reinvestment in communities by residents and businesses has caused the loss of confidence in many communities that has resulted in the decline of property values and the shift of residents away from those communities. Many of these communities have available resources that, when strengthened by State resources, can enable them to reverse these trends and prosper. According to the Administration, the investment in the revitalization of existing communities is necessary to reduce outward pressure for sprawl, preserve the ethnic and economic diversity of existing communities, and enhance community life for business and residents. Although existing State, county, and local housing and community development programs help to address the effect of sprawl development, the Administration believes that there is a need for a program which leverages available assistance to prevent or reverse decline or disinvestments in existing communities through improvements in residential, commercial, and other public or private resources.

In his 2001 State of the State address, Governor Glendening highlighted the proposed program and stated that the program -- modeled after the Rural Legacy program within the Department of Natural Resources (DNR) -- is intended to fill in funding gaps in existing programs to revitalize targeted neighborhoods.

DHCD currently operates several programs that target the revitalization of older urban, suburban, and rural neighborhoods in order to preserve Maryland's communities and cultural heritage. A number of activities in DHCD are designed to revitalize communities that have fallen into decline or are in danger of doing so. In its Neighborhood Revitalization Program, DHCD assists local governments to identify targeted revitalization areas and develop revitalization strategies and provides grants for community-based economic development activities in distressed areas. The Division of Historical and Cultural Programs enhances and preserves Maryland's historic properties and traditional culture in order to strengthen and revitalize communities, maintain and conserve built and natural resources, encourage economic development, help to manage environmental change, and increase public knowledge of the legacy of Maryland's past. Other similar programs in DHCD include the Neighborhood Business Development program and the Heritage Areas Authority.

Other agencies within the State have similar programs. The Maryland Department of Transportation (MDOT)'s Neighborhood Conservation program funds projects similar to the types of projects that could be funded under Community Legacy Program: streetscapes, curbs and gutters, roadway repaving, pedestrian safety enhancements, bus shelters and transit station access improvements, and landscaping. DNR also offers an urban reforestry program intended to provide grants for the purchase of trees or other landscaping materials for communities or neighborhoods.

State Fiscal Effect: The fiscal 2002 budget includes a total of \$10 million for the new program (\$9 million in PAYGO general funds to provide assistance for capital projects and \$1 million in general funds to provide assistance for noncapital projects), contingent upon the enactment of SB 202 or HB 301. Special fund revenues and expenditures will increase correspondingly. Special fund revenues could also increase pursuant to any investment income, loan repayments, and any donations or other funds that could be accepted for the benefit of the fund, as provided by the bill. Because DHCD does not yet know if the program will be primarily a loan or grant program, any such increase cannot be reliably estimated at this time.

Future year estimates reflect ongoing appropriations to the new fund of an estimated \$10 million in general funds annually. Special fund revenues and expenditures will increase correspondingly.

Because DHCD operates similar programs and has staff to support those programs, it is assumed that the bill's requirements could be handled with existing budgeted resources.

Local Fiscal Effect: To the extent that a local government receives financial assistance for revitalization projects as a result of this bill, local revenues would increase. The amount of any possible assistance cannot be projected at this time, although conceivably

it could be as high as \$10 million annually. To be eligible for funds, local governments must apply for the designation of community legacy areas and meet other requirements as specified in the bill. The bill also provides that no more than 15% of the total financial assistance provided by the program may be used to finance noncapital expenditures. It is assumed that the administrative costs of applying for and managing any financial assistance provided as a result of the bill would be minimal and absorbable within existing resources.

The number of jurisdictions that would apply for financial assistance under the program is unknown. It is possible that several jurisdictions already have plans to implement projects that may meet the eligibility requirements in the bill. For example, the City of Bowie reports that it would apply to have its Old Town Bowie section designated as a community legacy area. The city advises that any funds that would become available as a result of the bill would be used to accomplish the Old Town Bowie Redevelopment Plan that was adopted by the city council in 1999.

Additional Information

Prior Introductions: None.

Cross File: SB 202 (The President, *et al.*) – Economic and Environmental Affairs.

Information Source(s): Department of Business and Economic Development; Department of Housing and Community Development; Maryland Department of Planning; Maryland Department of Transportation; Caroline, Howard, Montgomery, and Prince George's counties; City of Annapolis; City of Bowie; City of Takoma Park; Town of Elkton; Town of Thurmont; Department of Legislative Services

Fiscal Note History: First Reader – February 5, 2001
ncs/jr Revised – House Third Reader – March 27, 2001
Revised – Enrolled Bill – April 30, 2001

Analysis by: Lesley Frymier

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510