

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 690 (Senators Colburn and Baker)
Education, Health, and Environmental Affairs Commerce and Government Matters

Town of Preston (Caroline County) - Urban Renewal Authority for Slum Clearance

This bill authorizes the Town of Preston to undertake urban renewal projects by exercising the power of eminent domain to acquire properties in blighted areas. The bill also: (1) requires the Town of Preston to provide just compensation for properties taken; (2) requires that the power of eminent domain be used for public benefit of Preston citizens; and (3) allows for taxation, expenditure of public funds, and extension of public credit to meet urban renewal goals.

Fiscal Summary

State Effect: None.

Local Effect: The Town of Preston's expenditures could increase for costs associated with land acquisition and urban renewal projects. The town's revenues could increase due to the sale of land and properties taken by eminent domain to developers or investors.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill authorizes the Town of Preston to undertake and carry out urban renewal projects. These projects are limited to: (1) slum clearance in slum and blighted areas and redevelopment or rehabilitation of slum or blighted areas; (2) acquiring, in connection with these projects, land and property and any right, interest, franchise, easement, or privilege by purchase, lease, gift, condemnation, or any other legal means;

(3) selling, leasing, conveying, transferring, or otherwise disposing of any of the land or property to any private, public, or quasi-public corporation, partnership, association, person, or other legal entity.

The taking of land or property by a municipality under this bill is prohibited without providing just compensation as agreed upon between the parties or awarded by a jury. Land or property needed or taken under this bill is declared to be needed or taken for public uses and purposes. Activities authorized pursuant to this bill constitute governmental functions undertaken for public purposes and the power of taxation may be exercised, public funds expended, and public credit extended.

Additional powers are granted to the Town of Preston to accomplish the purposes and objectives specified in this bill. Specifically, the bill requires the condemnation of land or property to proceed in accordance with the Real Property Article and that the municipality encourage the use of private enterprise in its urban renewal efforts. Furthermore, the bill authorizes the Town of Preston to issue and sell general obligation bonds and revenue bonds and provides requirements pertaining to these bonds.

The bill also specifies the requirements for the establishment of an urban renewal agency and those powers withheld from the agency. Specifically, an agency may not: (1) pass a resolution to initiate an urban renewal project; (2) issue general obligation bonds; and (3) appropriate funds and level taxes and assessments.

In order to initiate an urban renewal project, the legislative body of the municipality must adopt a resolution which: (1) finds that one or more slum or blighted areas exist in the municipality; (2) locates and defines the slum or blighted area; and (3) finds that the rehabilitation, redevelopment, or combination of them, of the area or areas, is necessary and in the interest of the public health, safety, morals, or welfare of the residents of the municipality. The bill also specifies the steps required for the preparation and approval of a plan for an urban renewal project and the disposal of property in an urban renewal area.

Current Law: The Town of Preston does not have the power of eminent domain. In practice, the power of eminent domain is usually reserved for expanding infrastructure or building new schools and is not normally exercised for the purpose of residential or economic redevelopment.

Background: The Town of Preston has 566 residents. In Caroline County, Denton and Federalsburg have the powers of eminent domain.

Article XI-E of the Maryland Constitution grants municipal corporations broad power to amend their existing charters or local laws and to adopt a new charter without the approval of the General Assembly. In addition, Article XI-E generally prohibits the General Assembly from enacting local laws for particular municipal corporations.

However, this general prohibition is expressly qualified by Article III, Section 61 of the Constitution (the Urban Renewal Amendment). This amendment provides that the General Assembly's power to enact local laws regarding local urban renewal projects prevails over the restrictions contained in Article XI-E. The General Assembly has enacted over 50 separate public local laws authorizing individual municipal corporations to carry out urban renewal projects.

Chapter 519 of 1995 amended the home rule powers of municipal corporations as expressed in Article 23A of the Code by adding the power to acquire land or property for development or redevelopment and to sell or otherwise dispose of the land or property to any private, public, or quasi-public entity. The law, however, specifies that this power may be exercised only by a municipal corporation that has urban renewal authority under Article III, Section 61 of the Maryland Constitution.

Local Fiscal Effect: The Town of Preston does not have an urban renewal plan in place. Accordingly, it is unknown how many properties would be involved in the urban renewal process and whether additional municipal expenditures will be incurred and additional revenues will be received. The Town of Preston's expenditures would increase due to legal fees and land acquisition, survey, inspection, and appraisal costs. Additional administrative costs will be incurred if an urban renewal authority is established. The Town of Preston advises that revenues will increase as properties are sold to buyers, contractors, and renovators of the acquired properties.

Caroline County expenditures and revenues would not be directly affected by this bill. However, to the extent that urban renewal efforts in the Town of Preston result in higher property values and additional employment centers, Caroline County revenues could increase due to higher property tax receipts and higher income tax receipts.

Small Business Effect: Small businesses in the Town of Preston may be forced to close, move, or lose existing customers due to the urban renewal process. However, some small businesses may realize an increase in business activity after the urban renewal process is completed.

Additional Comments: Maryland residents displaced by a municipal government are not entitled to relocation assistance unless the political subdivision is acting on behalf of

or with the financial assistance of the federal government. This does not prevent the Town of Preston from providing relocation assistance if it so chooses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline County, Maryland Municipal League, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2002
lsc/hlb

Analysis by: Christopher J. Kelter

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