

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 620

(Delegate McIntosh, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

Housing - Community Legacy Program - Neighborhood Intervention Projects

This bill expands the permitted uses of the Community Legacy Financial Assistance Fund to require 10% of the fund to be used for neighborhood intervention projects that include redeveloping properties or demolishing deteriorated or dangerous structures. It also prohibits the Secretary of Housing and Community Development from awarding more than \$500,000 in financial assistance for a neighborhood intervention project.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None. The bill expands the authorized uses of the community legacy program and requires redistribution of those funds for neighborhood intervention projects. It does not increase the amount of the current funds available.

Local Effect: Potentially significant increase in revenues for local jurisdictions that apply for funds to redevelop deteriorated or abandoned properties.

Small Business Effect: Potentially meaningful. Building contractors that are small businesses would benefit from the additional demolition and development anticipated from use of the fund.

Analysis

Bill Summary: The bill defines a neighborhood intervention project as a project sponsored by a community development financial institution (CDFI) to assist owner-occupants, community development organizations, or local governments to buy and

redevelop property that needs rehabilitation and is located in an otherwise stable neighborhood. Redevelopment includes rehabilitation, demolition, reconstruction, or reuse. The funds may also be awarded to a local government to demolish improvements on a property that are dangerous for use or occupancy, deteriorated to the point that rehabilitation is not feasible, and located in an otherwise stable neighborhood.

The bill allows CDFIs to sponsor community legacy projects and directs the Community Legacy Board to give priority to project applications that provide for likely repayment of the financial assistance to a CDFI or to the Community Legacy Financial Assistance Fund. It also authorizes the board to waive the requirements for a community legacy area designation and a community legacy plan for neighborhood intervention projects.

Sponsors of neighborhood intervention projects must agree to use the financial assistance and any repayments and prepayments primarily to make loans to owner-occupants, community development organizations, or local governments to buy and redevelop property that needs rehabilitation and is located in an otherwise stable neighborhood. They must also agree to repay the financial assistance to the Community Legacy Financial Assistance Fund up to the amount received from the net proceeds of the sale of the property on which the demolition took place or any payment to the sponsor for the costs incurred in demolishing improvements on the property.

Current Law: Chapter 567 of 2001 established the Community Legacy Program under DHCD to create a process and funding source for several types of revitalization projects. Community legacy projects include those that help create or preserve housing opportunities, including the acquisition, construction, or improvement of new or existing properties. It can also support demolition of buildings or improvements to enhance land use, mixed use or commercial development, and development of public infrastructure that is incidental to the implementation of a community legacy project, such as streets, parking, public utilities, landscaping, and lighting.

Projects must be sponsored by a local government, a group of local governments, or a community development organization. Applications for projects are approved by a five-member board, which must consider geographical balance and recommendations from State agencies in its decisionmaking. Sponsors have to submit a community legacy plan that may consist of one or more projects designed to prevent or reverse decline or disinvestment in a community legacy area. An area must meet certain conditions and prove the need for investment to be approved as a community legacy area.

CDFIs are specialized financial institutions that provide financial products and services, including mortgage financing for first-time home buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-

income households and local businesses. Community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds are considered CDFIs under federal regulations.

Local Fiscal Effect: The fiscal 2004 capital budget authorizes \$8.7 million for the Community Legacy Program. Under the bill, \$870,000 would be dedicated to neighborhood intervention projects. Baltimore City advises that the bill could have a meaningful impact on city neighborhoods that are stable but showing signs of decline. The city has approximately 14,000 vacant and abandoned properties – a single rowhouse costs about \$10,000 to demolish. DHCD advises that these costs may be higher if the property has lead or asbestos contamination. Local jurisdictions would also benefit from additional property tax revenue that would result from improved property values.

The Department of Legislative Services (DLS) also advises that the bill will reduce the amount of available funds for other community legacy projects that may be sought by local governments. In fiscal 2003, the State awarded 31 Community Legacy grants totaling \$6 million.

Additional Information

Prior Introductions: None.

Cross File: SB 618 (Senator Conway) – Education, Health, and Environmental Affairs and Budget and Taxation.

Information Source(s): Baltimore City, Department of Housing and Community Development, Department of Legislative Services

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