

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 165 (Chairman, Environmental Matters Committee, *et al.*)
(By Request – Departmental – Housing and Community Development)
Environmental Matters Education, Health, and Environmental Affairs

**Department of Housing and Community Development - Community Legacy
Program - Neighborhood Intervention Projects**

This departmental bill expands eligibility for funding neighborhood intervention projects.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Total expenditures for the affected program would not change. The bill expands the eligibility for use of existing funds, which could lower the amount of funds available for other projects.

Local Effect: Local government revenues for redevelopment of blighted properties will increase to the extent that local jurisdictions participate in redevelopment-ready projects. Local government expenditures will increase for project application fees and loan repayment (unless they are compensated by private owners).

Small Business Effect: The Department of Housing and Community Development (DHCD) has determined that this bill has a meaningful impact on small business (attached). Legislative Services advises that the bill has a minimal impact on small, construction-related businesses as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill redefines a community legacy project to allow financial assistance for a neighborhood intervention project (rather than “financing” under current law) and for a redevelopment-ready project. Financial assistance may include a grant, loan, reduced principal or interest on a loan, or credit enhancements.

The bill expands the type of recipients and projects eligible for funding to include local governments for demolishing improvements to prepare the property for revitalization, redevelopment, or reuse as part of a redevelopment plan. The bill defines local government to mean any of the 23 counties, Baltimore City, a municipal corporation, or any of their agencies or corporations. To be eligible for funding, the bill requires sponsors of neighborhood intervention projects to provide evidence of the following:

- legal interest in the property;
- intentions for the property to be revitalized, redeveloped, or reused as part of a redevelopment plan;
- completion of requirements related to impacts on heritage areas and historic property;
- intention to contribute an amount that at least equals the program assistance toward demolition of property improvements;
- agreement to repay the financial assistance up to the amount received from the net proceeds of the sale of the property or any payment to the sponsor relating to the property; and
- the financial assistance from the program is the least amount necessary for the project.

Upon request from the sponsor, the board may waive the requirement for a matching contribution or repayment for demolition or redevelopment-ready projects.

Current Law: Chapter 314 of 2003 requires no less than 10% of the Community Legacy Financial Assistance Fund to be used for neighborhood intervention projects (up to \$500,000 per project). Projects can be sponsored by a community development financial institution to assist owner-occupants, community development organizations, or local governments in buying and redeveloping property. Funds may also be awarded to a local government to demolish improvements on a property that is: (1) dangerous for use or occupancy; (2) deteriorated to the point that rehabilitation is not feasible; and (3) located in an otherwise stable neighborhood.

A neighborhood intervention project does not have to be located in a community legacy area but must be in a priority funding area. Sponsors must agree to repay 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. Applicants must pay an application fee equal to 2.5% of the requested amount.

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, support demolition of buildings or improvements to enhance land use, and develop public infrastructure (*e.g.*, parking, landscaping) related to a community legacy project.

Background: Since the neighborhood intervention program was created, DHCD has awarded eight grants totaling \$1.2 million for areas such as Baltimore City, Seat Pleasant, and Hyattsville. DHCD advises that it has received many requests from local governments for community legacy funds for demolition of derelict structures that were denied because they did not fit the statutory criteria of being too deteriorated to be rehabilitated or located in an otherwise stable neighborhood. DHCD has so far discovered 316 properties in 15 counties that are ineligible for program funding; renovation of these properties would cost approximately \$15 million.

State Effect: The Governor's proposed fiscal 2005 budget earmarks \$5 million of general obligation bonds for community legacy, in addition to \$300,000 of existing or anticipated funds from other sources. Under Chapter 314, at least \$530,000 (10%) must be set aside for neighborhood intervention projects that will include redevelopment-ready projects under the bill. However, DHCD may allocate more than 10% of that amount. It is unknown how much of the community legacy budget will be used for redevelopment-ready properties. Availability of funds for these properties will, however, diminish funds for other potential community legacy projects.

Local Fiscal Effect: The impact of the bill will vary by county. Montgomery and Garrett counties advise that the bill will have no impact. Anne Arundel County observes that, if it chooses to participate in the program, the county could potentially repay the loan and application fee through selling the redeveloped property. Alternatively, if the land is privately owned, the county could apply for the loan to assist the property owner, then place a lien on the property to ensure repayment. Properties for which the county would consider applying for funds include Parole Plaza in Annapolis and the Glen Burnie and Odenton Town Centers.

Small Business Effect: The bill's authorization of funds for redevelopment of deteriorated properties will benefit construction and repair businesses in the areas where the properties are located. According to the 2001 U.S. Census Bureau, 96% of construction firms (excluding self-employed) in Maryland have fewer than 50 employees. The impact will depend on the level of local government participation. Given the current fiscal 2005 budget for these projects, the impact is not expected to be significant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County, Garrett County, Anne Arundel County, Department of Housing and Community Development, Department of Legislative Services

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