

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1414

(Chair, Environmental Matters Committee)(By Request -
Departmental - Housing and Community Development)

Environmental Matters

Education, Health, and Environmental Affairs

**Community Legacy Program - Neighborhood Intervention Project Applications
and Financial Assistance Fund**

This departmental bill (1) reorganizes aspects of the Community Legacy Program relating to neighborhood intervention projects; (2) increases, from 10% to 15%, the total amount of funding from the Community Legacy Financial Assistance Fund that may be directed to neighborhood intervention projects; and (3) authorizes the Secretary of Housing and Community Development to approve a community legacy project or neighborhood intervention project without the approval of the Community Legacy Board in the case of an emergency or when urgent approval is required and sets aside 10% of money in the fund to be reserved for such projects.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None. State funding for the Department of Housing and Community Development (DHCD) and the Community Legacy Financial Assistance Fund are not affected; instead, the bill alters the amount in the fund available for certain purposes.

Local Effect: Local government revenues may increase in the event of an emergency due to the bill's set-aside provision.

Small Business Effect: DHCD has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The community legacy program under DHCD was established by Chapter 567 of 2001 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. Legislative changes to the program occurred in 2003 and 2004.

Chapter 314 of 2003 required 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.

Chapter 499 of 2004 expanded 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 legislation also required 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;
- 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.

Background: DHCD advises that this bill is intended to consolidate the three separate categories of neighborhood intervention projects into one category in order to make the application process easier to understand for applicants, and decrease the administrative burden on both applicants and DHCD personnel. Currently, the three categories of

neighborhood intervention projects are (1) the Community Development Finance Institute; (2) Demolition; and (3) Redevelopment Ready.

The bill is also designed to allow neighborhood intervention projects to better address emergencies and other urgent situations. In addition to setting aside 10% of money within the Community Legacy Financial Assistance Fund to be reserved for emergencies and other urgent projects, the bill gives the Secretary of Housing and Community Development additional flexibility to respond to these situations by bypassing the normal application schedule for neighborhood intervention projects. The current schedule requires applications to be submitted in summer, for acceptance in fall, and distribution of award notices in the winter.

State Fiscal Effect: The estimated fiscal 2010 opening balance for the Community Legacy Financial Assistance Fund is about \$7.0 million. Therefore, the bill will set aside about \$700,000 for emergency or urgent neighborhood intervention projects. In addition, the total funding for neighborhood intervention projects will increase from about \$700,000 to about \$1.1 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Housing and Community Development, Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2009
ncs/hlb

Analysis by: Evan M. Isaacson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Community Legacy Program – Neighborhood Intervention Project
Applications and Financial Assistance Fund

BILL NUMBER: HB 1414

PREPARED BY: Department of Housing and Community Development

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.