

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 46

(Senator McCray)

Education, Health, and Environmental Affairs

Environment and Transportation

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**Housing and Community Development - Programs and Projects - Requirements**

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This bill requires the Department of Housing and Community Development (DHCD) to provide written notice and a reasonable opportunity to comment to each member of the General Assembly that represents the district in which specified proposed housing and community development projects are located. The bill applies prospectively and does not apply to any application submitted before the bill's effective date. **The bill takes effect July 1, 2022.**

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**Fiscal Summary**

**State Effect:** DHCD can send the required notifications with existing resources. Revenues are not affected.

**Local Effect:** The bill is not anticipated to materially affect local government operations or finances.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:**

*Community Development Projects*

Pursuant to current law, a project qualifies as a community development project if it meets specified housing, infrastructure, and facilities requirements that promote sound community development. A project qualifies as a public purpose project if it is undertaken

with the financial assistance of the Community Development Administration (CDA) or the assistance of federal low-income housing credits authorized by the Internal Revenue Code and is (1) eligible wholly or partly for federal low-income housing credits or (2) in a location designated as a distressed area by the Secretary of Housing and Community Development.

*Under current law*, CDA must provide written notice and a reasonable opportunity to comment to the chief executive officer or equivalent officer and the head of the legislative body of the political subdivision where a proposed community development project or a public purpose project is located.

*Under the bill*, for a proposed community development project or a proposed public purpose project, CDA must also provide written notice and a reasonable opportunity to comment to each member of the General Assembly that represents the district in which the proposed project is located.

#### *Rental Housing Program*

The purposes of the Rental Housing Program are to (1) stimulate the production and preservation of rental housing; (2) increase and improve the supply of decent, safe, and sanitary rental housing at costs that are affordable to households of limited income; (3) use available resources efficiently to serve the households that are in need of quality affordable housing opportunities, including families, the elderly, and persons with disabilities; (4) support economic growth and activity by financing, in whole or in part, the construction of rental housing projects; and (5) revitalize sustainable communities through office or other commercial space conversion.

*Under current law*, DHCD must, for each application to the Rental Housing Program, provide written notice and reasonable opportunity to comment on the project from the local government where the proposed project will be based.

*Under the bill*, for a proposed project, DHCD must also provide written notice and a reasonable opportunity to comment to each member of the General Assembly that represents the district in which the proposed project is located.

#### *Partnership Rental Housing Program*

The Partnership Rental Housing Program is intended to expand the supply of affordable housing for low-income households. Among other potential program participants, DHCD is authorized to provide financial assistance to political subdivisions or housing authorities to acquire, construct, reconstruct, renovate, or rehabilitate rental housing affordable to households of limited income. The program provides loans for the

development of rental housing that will be occupied by households with incomes at or below 50% of the statewide median. Loan amounts are limited to the greater of \$75,000 per unit or the actual cost of the project. Projects financed through the program typically involve a partnership between State and local governments.

*Under current law*, DHCD may approve an application to the Partnership Rental Housing Program only if, among other requirements, the application is authorized by the local government where the proposed project will be based.

*Under the bill*, DHCD may approve an application to the Partnership Rental Housing Program only if the application is also sent to each member of the General Assembly that represents the district in which the project is located when the application is sent for authorization.

### *Community Legacy Program*

The Community Legacy Program (1) preserves existing communities as desirable places to live and conduct business to reduce outward pressure for sprawl development and (2) provides financial assistance to sponsors or their designees to develop sustainable community plans or community legacy projects. The program must encourage partnerships among the federal government, the State government, political subdivisions, and community development organizations to develop and implement sustainable community plans and community legacy projects.

*Under current law*, an application to the Community Legacy Program must include, among other things, the process used to seek and receive public input on the proposed sustainable community plan or community legacy project, including the nature and extent of public support or opposition. In addition, program regulations require applications for the Community Legacy Program to include, among other things, written approval for the proposed project from the local government in whose jurisdiction the project is located. DHCD must provide written notice to the political subdivision in which the proposed project is located.

*Under the bill*, DHCD must also provide written notice to each member of the General Assembly that represents the district in which the proposed project is located.

### *Neighborhood Business Development Program*

The Neighborhood Business Development Program provides grants and loans to community-based economic development activities in revitalization areas designated by local governments. The program is available to businesses located in priority funding areas and sustainable communities.

*Under current law*, program regulations require the political subdivision in which an eligible project is located to (1) approve the project by adopting a local resolution of support; (2) approve the project through a letter of support delivered to the program by an authorized designee; or (3) allow at least 45 days to lapse following the receipt of written notice of the proposed project to the highest elected official without denying the application. DHCD must provide written notice to the political subdivision in which the proposed project is located.

*Under the bill*, DHCD must also provide written notice to each member of the General Assembly that represents the district in which the proposed project is located.

#### *Baltimore Regional Neighborhood Initiative*

Chapter 29 of 2016 established the Baltimore Regional Neighborhood Initiative. The initiative provides strategic investment in local housing and businesses and focuses on areas where modest investment will have an appreciable neighborhood revitalization impact. Funds may be used for operating costs necessary to implement various community enhancement projects throughout the Baltimore region.

*Under current law*, program regulations also require applications for financial assistance under the program to include, among other things, written approval for the proposed project in the form of a local government resolution or letter of support. DHCD may not approve an application until it has provided written notice and a reasonable opportunity to comment to the political subdivision where the proposed community enhancement project is located.

*Under the bill*, DHCD may not approve an application to the Baltimore Regional Neighborhood Initiative until written notice and a reasonable opportunity to comment has also been provided to each member of the General Assembly that represents the district where the proposed community enhancement project is located.

#### *Low-Income Housing Tax Credits – Generally*

Among other things, the Tax-Reform Act of 1986 created the federal low-income housing tax credit to encourage the private sector to invest in the construction and rehabilitation of housing for low- and moderate-income families. For-profit and nonprofit sponsors are eligible to apply for the tax credits, and the owner of a qualified low-income building must rent either 20% of the units to households with incomes of 50% or less of the area median income, or 40% of the units to households with incomes of 60% or less of the area median income. DHCD is the designated entity to allocate low-income housing tax credits in the State.

## *Sustainable Communities and Priority Funding Areas*

A sustainable community is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

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### **Additional Information**

**Prior Introductions:** SB 367 of 2021, a similar bill, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

**Designated Cross File:** None.

**Information Source(s):** U.S. Department of Housing and Urban Development; Department of Housing and Community Development; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2022  
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