Equitable and Inclusive Transit-Oriented Development Enhancement Act

This bill establishes the Transit-Oriented Development (TOD) Capital Grant and Revolving Loan Fund and its purpose, funding sources, and authorized uses. The Governor must include in the annual budget bill a general fund appropriation to the fund of $10.0 million for fiscal 2024. The bill also requires the Secretary of Transportation to submit a report to the General Assembly by November 30, 2025, on efforts to increase TOD throughout the State. The bill takes effect July 1, 2022.

Fiscal Summary

State Effect: General fund expenditures increase by $10.0 million in FY 2024 to meet the bill’s mandated appropriation; although discretionary in other years, funding is assumed. Revenues and expenditures for the new special fund increase correspondingly. Transportation Trust Fund (TTF) expenditures increase by $464,700 and general fund expenditures increase by $74,700 in FY 2023, with ongoing costs to administer the grant and loan program. This bill establishes a mandated appropriation for FY 2024.

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Revenue</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>GF Expenditure</td>
<td>$10.1</td>
<td>$10.1</td>
<td>$10.1</td>
<td>$10.1</td>
<td>$10.1</td>
</tr>
<tr>
<td>SF Expenditure</td>
<td>$10.5</td>
<td>$10.4</td>
<td>$10.4</td>
<td>$10.4</td>
<td>$10.4</td>
</tr>
<tr>
<td>Net Effect</td>
<td>($10.5)</td>
<td>($10.5)</td>
<td>($10.5)</td>
<td>($10.5)</td>
<td>($10.5)</td>
</tr>
</tbody>
</table>

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; = indeterminate increase; () = indeterminate decrease

Local Effect: To the extent local jurisdictions receive financial assistance, local revenues and expenditures increase.

Small Business Effect: Meaningful.
Analysis

Bill Summary:

*Transit-Oriented Development Capital Grant and Revolving Loan Fund*

The TOD Capital Grant and Revolving Loan Fund is established as a special, nonlapsing fund. The purpose of the fund is to promote the equitable and inclusive development of TODs throughout the State. The Maryland Department of Transportations (MDOT), in collaboration with the Department of Housing and Community Development (DHCD), must administer the fund.

The fund consists of (1) money appropriated in the State budget to the fund; (2) money made available for qualifying uses by the fund from other governmental sources, including community development block grants; (3) ground rents or land sale proceeds received from a capital asset being leased or sold to a private party for the purpose of realizing a TOD; (4) payments of principal of and interest on loans made under the fund; (5) investment earnings of the fund; and (6) any other money from any other source, public or private, accepted for the benefit of the fund. Contributions to the fund from ground rents or land sale proceeds must be separately accounted for in the fund and may only be used for the benefit of TODs in the same county in which the real property is located.

The fund may be used by MDOT, in collaboration with DHCD, to provide financial assistance to local jurisdictions for TOD design plans, as specified, public infrastructure improvements within a TOD, or gap funding for public or private development within a TOD. A private entity, including a nonprofit entity, participating in the development of a TOD may partner with a local jurisdiction to submit an application for specified financial assistance.

MDOT, in collaboration with DHCD, must establish and publish on its website eligibility requirements and scoring standards for reviewing applications and must prioritize geographic equity in its allocations of grants and loans. MDOT, in collaboration with DHCD, may not allocate more than 50% of the funds available in a fiscal year to a single applicant. MDOT, in collaboration with DHCD, may establish scoring preferences for applications as specified in the bill and different requirements and standards for the different types of financial assistance. An application for financial assistance must include specified commitments and funding strategies, if applicable.

*Ground Rents and Land Sale Proceeds*

The TOD Capital Grant and Revolving Loan Fund is included as an authorized recipient of money received from a capital asset being leased or sold to a private party for the purpose of realizing a TOD.
**Required Report**

By November 30, 2025, the Secretary of Transportation must submit a report to the General Assembly on efforts to increase TOD throughout the State. The report must include an analysis as specified in the bill on each TOD, and MDOT, in collaboration with DHCD, must consider the report findings for purposes of updating the scoring standards for TOD Capital Grant and Revolving Loan Fund financial assistance applications.

**Intent of the General Assembly**

The bill expresses legislative intent that MDOT, in collaboration with DHCD, make all reasonable attempts to include TOD as part of the preferred plan for development in areas served by transit services – by providing preference to proposals that further this purpose when (1) distributing funds from State programs offering grants and loans for development and infrastructure investment, federal community development block grants, and the proceeds of general obligation bond and grant anticipation revenue vehicle issuances and (2) awarding State tax credits.

**Current Law:** It is the policy of the State that the development of improved and expanded railroad facilities, railroad services, transit facilities, and transit services operating as a unified and coordinated regional transportation system, and the realization of TOD throughout the State, represent transportation purposes that are essential for the satisfactory movement of people and goods, the alleviation of present and future traffic congestion, the economic welfare and vitality, and the development of the metropolitan area of Baltimore and other political subdivisions of the State.

“Transit-oriented development” is a mix of private or public parking facilities, commercial and residential structures, and uses, improvements, and facilities customarily appurtenant to such facilities and uses, that is:

- part of a deliberate development plan or strategy involving (1) property that is adjacent to the passenger boarding and alighting location of a planned or existing transit station or (2) property, any part of which is located within one-half mile of the passenger boarding and alighting location of a planned or existing transit station; planned to maximize the use of transit, walking, and bicycling by residents and employees; and
- designated as TOD by (1) the Secretary of Transportation after considering a recommendation of the Smart Growth Subcabinet and (2) the local government or multicounty agency with land use and planning responsibility for the relevant area.
State Fiscal Effect:

_transit-oriented development capital grant and revolving loan fund_

The bill requires a general fund appropriation to the TOD Capital Grant and Revolving Loan Fund of $10.0 million in fiscal 2024; special fund revenues and expenditures increase correspondingly. Funding in fiscal 2023 and beyond fiscal 2024 is discretionary; nonetheless, this analysis assumes such funding is provided.

Proceeds from lease agreements on MDOT property may be redirected to the TOD Capital Grant and Revolving Loan Fund. As a result, MDOT may have less flexibility in addressing other transportation expenses.

As the bill authorizes MDOT to make loans, special fund revenues to the TOD Capital Grant and Revolving Loan Fund may increase as funds are repaid, with additional special fund expenditures as those funds are redistributed under the program.

Related Administrative Costs at the Maryland Department of Transportation

TTF expenditures increase by $464,703 in fiscal 2023, which accounts for a 90-day start-up delay from the bill’s July 1, 2022 effective date. This estimate reflects the cost of hiring one program director, one financial manager, one program assistant, and one program manager to administer and account for the TOD Capital Grant and Revolving Loan Fund program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It includes $150,000 in consultant fees to assist with establishing eligibility requirements and scoring standards and creating an application platform.

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Positions</td>
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<tr>
<td>Salaries and Fringe Benefits</td>
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<tr>
<td>One-time Start-up Expenses</td>
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<tr>
<td>Operating Expenses</td>
<td>3,180</td>
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<tr>
<td><strong>Total FY 2023 TTF Expenditures</strong></td>
<td><strong>$464,703</strong></td>
</tr>
</tbody>
</table>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. These costs cannot be absorbed in the $10.0 million funding discussed above, as administrative expenses are not an allowed cost.

Related Administrative Costs at the Department of Housing and Community Development

General fund expenditures increase by $74,697 in fiscal 2023, which accounts for a 90-day start-up delay from the bill’s July 1, 2022 effective date. This estimate reflects the cost of hiring one accountant to account for the TOD Capital Grant and Revolving Loan Fund
program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

<table>
<thead>
<tr>
<th>Position</th>
<th>1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and Fringe Benefits</td>
<td>$67,354</td>
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<tr>
<td>Operating Expenses</td>
<td>7,343</td>
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<tr>
<td><strong>Total FY 2023 DHCD Expenditures</strong></td>
<td><strong>$74,697</strong></td>
</tr>
</tbody>
</table>

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

**Local Fiscal Effect:** Local jurisdictions are eligible to receive financial assistance from the TOD Capital Grant and Revolving Loan Fund for design plans for a TOD, public infrastructure improvements within a TOD, or gap funding for public or private development within a TOD. Thus, to the extent that local jurisdictions receive financial assistance, local revenues and expenditures increase.

**Small Business Effect:** Small businesses located in or involved in the development of a TOD may benefit significantly from TOD projects funded through the TOD Capital Grant and Revolving Loan Fund.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 710 (Delegate J. Lewis, *et al.*) - Environment and Transportation and Ways and Means.

**Information Source(s):** Caroline, Montgomery, and Prince George’s counties; Maryland Association of Counties; City of Annapolis; Maryland Municipal League; Department of Commerce; Comptroller’s Office; Department of Budget and Management; Department of General Services; Department of Housing and Community Development; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:**
- First Reader - February 15, 2022
- Third Reader - April 8, 2022
- Revised - Amendment(s) - April 8, 2022

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