

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 241 (Chair, Environment and Transportation Committee)(By
Request - Departmental - Housing and Community
Development)

Environment and Transportation

Education, Energy, and the Environment

Housing and Community Development - Just Community Designation

This departmental bill authorizes the Governor, on the recommendation of the Secretary of Housing and Community Development, to designate an area as a “Just Community” if the secretary determines that the area meets specified criteria. The bill also (1) establishes related findings and the intent of the General Assembly that the Just Community designation be used to prioritize State funding to increase racial, economic, and health equity in the State and (2) requires the Governor to identify State programs under which a Just Community must receive priority for State funding, as specified. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: The Department of Housing and Community Development (DHCD) plans to implement the bill with existing budgeted resources, as discussed below. The bill does not affect overall State funding for existing programs, but the distribution of such funding may be affected by the prioritization of funding for designated Just Communities. Revenues are not affected.

Local Effect: Overall, local government finances are not anticipated to be materially affected, but the distribution of State funding to local governments may be affected by the prioritization of funding for designated Just Communities. Local governments that serve designated Just Communities may benefit, while others may be negatively affected.

Small Business Effect: DHCD has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment as discussed below.

Analysis

Bill Summary: “Just Community” means the part of a priority funding area that, as determined by the Governor, meets specified criteria established under the bill.

The Governor, on the recommendation of the Secretary of Housing and Community Development, may designate an area as a Just Community if the Secretary demonstrates that past and current trends in homeownership, property values, commercial and residential vacancy, and business or housing investment show a need for reinvestment in the area. In addition, the area must also have been negatively impacted by a history of (1) forms of legal racial segregation, as specified; (2) the demolition of residential neighborhoods through the use of eminent domain or State or federal funding; (3) a State imprisonment rate higher than 750 per 100,000 persons; or (4) unequal exposure to environmental and health hazards, as specified.

To maintain a Just Community designation, every five years the Secretary must make designation recommendations for approval by the Governor.

At the time Just Communities are designated or renewed, the Governor must identify State programs under which a Just Community must receive priority for State funding. However, the prioritization of State funding for Just Communities must not supersede other program requirements specified in State law.

Current Law/Background:

Department of Housing and Community Development

Among other responsibilities, DHCD provides financing for the economic development and maintenance of affordable housing and communities in Maryland. DHCD also provides funding for community revitalization projects. As introduced, the fiscal 2025 capital budget includes a mixture of general obligation bond funds, general funds, special funds, and federal funds for the following DHCD programs that provide assistance to homebuyers and facilitate community revitalization in Maryland:

- Strategic Demolition Fund (\$60.0 million);
- Housing and Building Energy Programs (\$38.4 million);
- Neighborhood Business Development Program (\$28.3 million);
- Baltimore Regional Neighborhood Initiative (\$27.0 million);
- Homeownership Programs (\$21.0 million);
- Special Loan Programs (\$13.0 million);
- National Capital Strategic Economic Development Program (\$12.0 million);

- Community Development Block Grant Program (\$12.0 million);
- Seed Community Development Anchor Institution Fund (\$10.0 million);
- Appraisal Gap Program (\$10.0 million);
- Downtown Partnership of Baltimore (\$9.0 million);
- Community Legacy Program (\$8.0 million); and
- Business Façade Improvement Program (\$5.0 million).

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.

Designation of Just Communities

DHCD advises that it recently hired an Assistant Secretary of Just Communities and that it is actively hiring staff to work with the assistant secretary to assist in the designation of Just Communities. DHCD intends to use the designation of Just Communities to prioritize funding applications for existing programs.

According to DHCD, the use of the Just Community designation is intended to rectify past adverse State action toward communities victimized by exclusionary place-based policies. Such policies included historical redlining, federal highway placement that divided communities, and other forms of racial segregation. DHCD further advises that by concentrating investment in areas that have been historically excluded from the benefits of State resources, the people living in those communities should benefit from additional State programs.

State Expenditures: DHCD plans to implement the bill with existing budgeted resources, as discussed below. The bill does not affect overall State funding for existing programs, but the distribution of such funding may be affected by the prioritization of funding for designated Just Communities.

Designation of Just Communities

DHCD advises that it anticipates that the newly hired Assistant Secretary of Just Communities and future staff can handle the data collection and analysis necessary for determining Just Community designations using existing budgeted resources. However, DLS notes that DHCD previously advised that this effort would require hiring a consultant at a one-time cost of \$325,000 in fiscal 2025 only. Accordingly, to the extent existing staff cannot implement the bill, general fund expenditures may increase (in fiscal 2025 only) to hire a consultant.

Prioritization of State Funding for Just Communities

As discussed above, the bill requires the Governor to identify State programs under which a Just Community must receive priority for State funding. (However, pursuant to the bill, the prioritization of State funding for Just Communities must not supersede other program requirements specified in State law.) Accordingly, while overall State funding for existing programs is not affected, the designation of Just Communities may affect the distribution of such funding.

Small Business Effect: While the bill does not affect overall State funding available for existing State programs that provide funding to small businesses, small businesses located in Just Communities are given priority over businesses not in those areas in receiving State funding awarded to private entities.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 308 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Housing and Community Development) - Education, Energy, and the Environment.

Information Source(s): Governor's Office; Department of Housing and Community Development; Department of Legislative Services

Fiscal Note History: First Reader - January 25, 2024
km/mcr Third Reader - February 27, 2024

Analysis by: Thomas S. Elder

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing and Community Development - Just Community Designation

BILL NUMBER: HB 0241

PREPARED BY: Chuck Cook, Chief Legislative Officer, DHCD

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X 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

No anticipated impact on small businesses.