

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1427
Ways and Means

(Delegate Amprey)

Finance

Economic Development - West North Avenue Development Authority -
Alterations

This bill alters the composition, powers, and duties of the West North Avenue Development Authority (WNADA) and establishes that the authority is a body politic and corporate and an instrumentality of the State. The bill also (1) creates a special fund to carry out the purposes of WNADA; (2) creates a board of directors for WNADA, generally consisting of existing authority members; and (3) exempts WNADA from specified provisions of State law. In general terms, the bill modifies the statutory structure of the authority to more closely align with that of a State economic development authority. The September 30, 2026 termination date for WNADA is unchanged. **The bill terminates with the termination provisions of Chapters 80 and 81 of 2021.**

Fiscal Summary

State Effect: General fund expenditures for WNADA may increase from FY 2025 through 2027 due to an enhanced expectation for funding. Special fund revenues and expenditures for WNADA increase from FY 2025 through 2027, as discussed below. State revenues are also potentially affected by the bill's exemption of WNADA from taxation, although the effect cannot be reliably estimated at this time. The FY 2025 budget includes \$16.6 million in State funding for WNADA.

Local Effect: Baltimore City finances are potentially affected beginning as early as FY 2025, as discussed below.

Small Business Effect: Potential meaningful, as discussed below.

Analysis

Bill Summary:

West North Avenue Development Authority

WNADA is a body politic and corporate and is an instrumentality of the State. The exercise by WNADA of a power under its statutory provisions is the performance of an essential governmental function. A board of directors must manage WNADA and exercise its powers. Board membership is generally the current authority membership. The bill does not specify whether or not the legislative members of the new board are voting members; under current practice, the legislative members of the authority do not vote due to separation of powers concerns.

The bill establishes several findings of the General Assembly related to the West North Avenue Corridor and the need for its revitalization and specifies the legislative purposes of the authority. The General Assembly intends that:

- WNADA operate and exercise its corporate powers along the West North Avenue Corridor in Baltimore City;
- without limiting its authority to otherwise exercise its powers, WNADA exercise its powers to assist private real estate entities and nonprofit community development corporations to develop and rehabilitate housing and commercial units in Baltimore City and support local economic development agencies to contribute to the expansion, modernization, and retention of existing enterprises in Baltimore City as well as the attraction of new businesses to Baltimore City; and
- WNADA should not own and operate a project unless (1) its board of directors determines by resolution that the private sector has not demonstrated serious and significant interest and development capacity to own and operate the project or (2) a representative of a governmental unit requests in writing that WNADA own and operate the project.

The bill specifies additional administrative requirements, such as establishing a system of financial accounting, controls, audits, and reports.

West North Avenue Development Authority Fund

The WNADA Fund is established as a special, nonlapsing, fund to provide funds for the authority to use for consulting fees, salaries, and administrative expenses. WNADA must administer the fund, which consists of money appropriated in the State budget, interest, and any other money from any other source accepted for the benefit of the fund. The fund

may be used only for administrative purposes and to carry out the functions of the authority. Expenditures from the fund may be made only in accordance with the State budget.

Applicability of State Laws

Generally, in exercising its powers, WNADA may carry out its purposes without the consent of any State unit. WNADA is also not subject to specified provisions in the Economic Development Article (local economic development financing methods) and the following provisions of the State Finance and Procurement Article:

- Title 2, Subtitles 2 (Gifts and Grants) and 5 (Facilities for the Handicapped);
- Title 3 (Budget and Management);
- Title 4 (Department of General Services);
- Title 5A (Division of Historical and Cultural Programs);
- Title 6, Subtitle 1 (Studies and Estimates);
- Title 7, Subtitles 1 (State Operating Budget), 2 (Disbursements and Expenditures), and 3 (Unspent Balances);
- Title 10 (Board of Public Works – Miscellaneous Provisions); or
- Division II (General Procurement Law, although WNADA, its officers, and employees are still subject to provisions for exempt units, as under current law).

WNADA is subject to the Public Information Act and the Open Meetings Act. WNADA, its officers, and its employees are subject to the Public Ethics Law.

Express Powers

The bill specifies many express powers for WNADA, including the ability to:

- make or accept and manage loans, grants, or assistance of any kind from specified governmental and private sources;
- make grants to individuals;
- acquire properties in Baltimore City by various specified means to improve, manage, market, maintain, or lease, for development or redevelopment;
- acquire, purchase, hold, lease as lessee and use any real, personal, mixed, tangible, or intangible property or an interest in the property;
- finance all or part of the acquisition or improvement of a project;
- sell, lease as lessor, transfer, license, assign, or dispose of property or a property interest that it acquires;
- fix and collect rates, rentals, fees, royalties, and charges for services and resources it provides or makes available;

- exercise power usually possessed by a private corporation in performing similar functions unless to do so would conflict with State law;
- create a special district benefit for the commercial businesses in the target area;
- set salaries in accordance with the jurisdiction market rate and outside the State Personnel and Pension System;
- ensure money is being spent effectively and efficiently on development and that development is happening in the appropriate way for the West North Avenue Corridor;
- provide advisory services to State and city agencies on planning and development for the target area;
- initiate, fund, and monitor for efficiency and effectiveness economic, housing, transportation, neighborhood, and green space development within the target area;
- make rules and regulations for the operation and use of land, property, and undertakings under WNADA's jurisdiction; and
- create and administer the accounts that it requires.

Taxation

WNADA is exempt from taxation or assessments on any part of a development or project, the authority's activities in operating and maintaining a development or project, and revenues from a development or project. The authority is exempt from State and local transfer and recordation tax.

Any property that is sold or leased by the authority to a private entity is subject to Baltimore City and local real property taxes from the time of sale or lease.

Current Law:

West North Avenue Development Authority

Chapters 80 and 81 of 2021 established WNADA for the purpose of developing a comprehensive neighborhood revitalization strategy for the benefit of a specified "target area" and "buffer zone" in Baltimore City. The Acts establish provisions governing the membership, procedures, and duties of WNADA. Under Chapter 136 of 2023, the authority is generally exempt from State procurement law, although WNADA is still subject to written policy and procedure requirements for exempt units and the State's Minority Business Enterprise program.

WNADA members may not receive compensation but are entitled to reimbursement for expenses. WNADA is authorized to manage appropriated funds from Baltimore City and the State. WNADA may receive donated services from accountants, lawyers, or other

consultants as necessary to carry out the authority's duties. WNADA may also supervise, manage, and terminate staff and consultants as necessary.

WNADA must support the development and approval of a comprehensive neighborhood revitalization plan in the target area and the buffer zone to benefit (1) the residents; (2) housing; (3) neighborhoods; (4) economic development; and (5) transportation, including motor vehicles and pedestrians. WNADA must also work in coordination with the residents of the target area and the buffer zone to develop a comprehensive neighborhood revitalization plan.

By December 15, 2023, WNADA was required to report its [comprehensive neighborhood revitalization strategy](#), including any procurement activities undertaken by the authority, to the Governor, the Senate Budget and Taxation Committee, the House Health and Government Operations Committee, and the House Appropriations Committee.

All provisions related to WNADA terminate September 30, 2026.

State Fiscal Effect: WNADA advises that the bill codifies the intended powers and authorities for WNADA, as advised by the Office of the Attorney General, and that the bill has no additional fiscal, administrative, staffing, operational, or programmatic impact. The Department of Legislative Services advises that the effect on State finances largely depends on whether the bill leads to a change in discretionary funding for WNADA in the State budget each year, as discussed below.

As created by Chapters 80 and 81, WNADA is more similar to a stakeholder commission than an economic development authority. The fiscal and policy note for the legislation advised that there was no direct effect on State finances and that the authority could provide staff and expense reimbursements with existing resources. However, in practice, WNADA currently undertakes some economic development activities (it is authorized to manage appropriated funds from Baltimore City and the State), has multiple State employees, and receives significant State funding.

The fiscal 2024 budget includes \$11.4 million in State funding for WNADA, including \$10.2 million for grants. The fiscal 2025 budget includes \$16.6 million in State funding for WNADA, including \$15.0 million for grants. WNADA is almost entirely State-supported, although Baltimore City has provided a limited amount of funding in each fiscal year (\$410,000 in fiscal 2024 and \$500,000 in fiscal 2025). According to WNADA, its grants are intended for projects that will support economic, commercial, transportation, and green space development, as well as increase the population density in the target area.

In that funding and operational context, the significant changes in the bill are:

- the bill expands the purposes and powers of WNADA to explicitly allow for the financing of various types of projects, which may increase the expectation for State funding; and
- those same expanded powers also allow WNADA to generate revenue, which may further increase WNADA revenues and expenditures.

Accordingly, general fund expenditures may increase in fiscal 2025 through 2027 due to an enhanced expectation for WNADA funding, coincident with its expanded statutory powers and duties. Special fund revenues and expenditures for WNADA increase from fiscal 2025 through 2027 as funds are received and used for authorized purposes. Special fund revenues and expenditures may further increase in those years to the extent that WNADA generates revenues from authorized financial transactions and those funds accrue to the WNADA fund, which is not a requirement.

State revenues are also potentially affected by the bill's exemption of WNADA from taxation, although the effect cannot be reliably estimated at this time, due to, in part, the exemption coinciding with the expansion of WNADA's purposes and powers.

Local Fiscal Effect: The effect on Baltimore City revenues and expenditures cannot be determined at this time. WNADA currently receives a small amount of discretionary funding from Baltimore City, which may increase with a change to WNADA's current operations. The bill also potentially affects local revenues, since the bill exempts WNADA from local transfer and recordation taxes but also expands WNADA's ability to develop properties and increase property assessments.

Small Business Effect: Small businesses may benefit from enhanced WNADA funding and additional authorized types of WNADA projects, particularly in the West North Avenue Corridor in Baltimore City.

Additional Comments: The bill authorizes WNADA to set salaries in accordance with the jurisdiction market rate and outside the State Personnel and Pension System; however, WNADA currently has multiple staff that are State employees, funded through the State budget.

The bill does not extend the termination date for WNADA, so this analysis does not include associated costs with sustaining State and local support for the authority beyond its termination date. However, the bill may create a future expectation that the termination date be extended or eliminated, requiring additional State (and potentially local) support beginning in fiscal 2027.

Additional Information

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

Designated Cross File: SB 1005 (Senator Hayes) - Finance.

Information Source(s): West North Avenue Development Authority; Department of Commerce; Baltimore City; Department of Legislative Services

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