HB 90

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 90 (Chair, Ways and Means Committee)(By Request - Departmental - Housing and Community Development)

Ways and Means

Housing and Community Development - Project Restore Program - Establishment

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This departmental bill codifies the existing Project Restore Program within the Department of Housing and Community Development (DHCD) to assist qualified businesses and organizations (1) whose mission and work contribute to the economic development or historic preservation of local business districts and (2) whose activities support the small businesses within the jurisdictions they serve. The bill also authorizes DHCD to adopt regulations to carry out the bill's provisions. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures increase by $10.0 million annually beginning in FY 2026. No effect on revenues.

($ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	$0	$0	$0	$0	$0
GF Expenditure	10.0	10.0	10.0	10.0	10.0
Net Effect	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)

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

Local Effect: Local government revenues and expenditures increase to the extent local jurisdictions receive and spend program funds as a result of the bill.

Small Business Effect: DHCD has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary:

Project Restore Program – Selected Definitions

"Placed-based community development organization" means a nonprofit organization that engages in (1) work that improves a specific neighborhood or business district in the State; (2) work that contributes to the economic development or historic preservation of a local business district within the organization's jurisdiction; and (3) programs and activities that support small businesses within the organization's jurisdiction.

"Qualified applicant" means (1) a place-based community development organization or (2) a unit of local government. "Qualified entity" means a business or nonprofit organization that (1) is located in a sustainable community and (2) plans to improve a vacant property and be open and operational in the property within the term of a subgrant awarded under the program.

"Subject property" means all of, or a portion of, a property that (1) is a vacant property at the time that a qualified applicant applies for program funds and (2) will be improved and open and operational by a qualified entity within the term of a subgrant awarded under the program. "Vacant property" means all of, or a portion of, a property that is unoccupied by a tenant with a lease.

Project Restore Program – Use of Funds

DHCD may distribute program funds to qualified applicants that serve within a sustainable community and apply for program funds. Each qualified applicant that receives program funds must distribute subgrants to qualified entities. Eligible uses of subgrants include (1) rental payments toward the lease of a subject property; (2) the renovation or improvement of the interior and exterior of a subject property; (3) the purchase of furniture, fixtures, and equipment for a subject property; and (4) the purchase of a subject property by a qualified entity.

DHCD may authorize a qualified applicant to use up to 15% of the program funds awarded to the qualified applicant for salaries and other operating costs.

Current Law/Background:

Project Restore

Former Governor Lawrence J. Hogan, Jr. announced in June 2021 the creation of the Project Restore Program within DHCD using $25.0 million in federal American Rescue Plan Act funds for fiscal 2022. The program previously offered businesses sales tax rebates in the form of grants and rental grants to offset startup costs and to incentivize commercial investment in vacant spaces. Generally, the program awarded rental grants (not exceeding $2,500 for each month for a period not exceeding 12 months) and business operations grants (not exceeding $250,000 during a 12-month period) to eligible businesses located in vacant retail and commercial spaces. DHCD advises the bill is structured similarly to the existing program.

The most recent annual budget to include funding for the program was for fiscal 2023, which included a second allocation of $25.0 million in federal funds. DHCD advises that for fiscal 2024 the program was funded with recaptured and relinquished funds from fiscal 2022 and 2023 awardees. The fiscal 2026 budget as introduced does not include funding for the program.

Main Street Improvement Program

Created in 1998 by DHCD, the Making Main Street Improvement Program provides grants to local jurisdictions and nonprofit organizations to promote the development and revitalization of business districts in local jurisdictions. To be designated as a Main Street Community by DHCD, communities in the State must (1) have a minimum population of 1,000 based on the most recent U.S. Census survey; (2) be a "sustainable community" approved by the State; (3) have a defined, walkable central business district with a significant number of historic commercial buildings; (4) have boundaries within a priority funding area as determined by the Maryland Department of Planning; (5) agree to employ a program manager; (6) commit to provide a sustainable program budget; and (7) commit to organize and maintain volunteer committees made up of public and private sector individuals.

Grant funds may be used to pay for costs associated with projects that support the development or revitalization of a business district, including (1) gateway, directional, or highway signage associated with a business district; (2) acquisition, development, or improvement of property associated with projects that will assist the development or revitalization of a business district; (3) façade improvement programs; (4) specified public improvement to business districts; (5) specified engineering and architectural design studies; (6) demolition of vacant and abandoned buildings; (7) specified promotional materials; (8) other projects that have been identified in an applicant's work plans as key to its Main Street efforts; and (9) operating assistance for Main Street Maryland managing organizations.

Sustainable Communities

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.

State Expenditures: As discussed above, Project Restore has not received new funding in the annual budget since fiscal 2023, and the fiscal 2026 budget as introduced does not include any funding for the program. DHCD advises that the program is currently administered by one full-time employee and anticipates that existing staff can manage the program as codified by the bill. DHCD also advises that continuing the program requires $10.0 million annually to ensure that the program can issue meaningful funding awards to qualified applicants; DLS concurs. Therefore, general fund expenditures increase by $10.0 million annually beginning in fiscal 2026 for DHCD to award program funds to qualified applicants.

Local Fiscal Effect: Local government revenues and expenditures increase to the extent they apply for and receive program funds and disburse them as subgrants to qualified entities or utilize a portion of the funds for salaries or other operating costs. Local revenues may further increase from increased economic redevelopment in local jurisdictions where businesses and nonprofit organizations receive subgrants from the program, but any such effect is secondary and not reflected in this analysis.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 393 and HB 414 of 2022.

Designated Cross File: SB 235 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Housing and Community Development) - Education, Energy, and the Environment.

Information Source(s): Department of Housing and Community Development; Anne Arundel, Cecil, Frederick, and Montgomery counties; Maryland Association of Counties; cities of Frederick and Havre de Grace; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - January 17, 2025
rh/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing and Community Development - Project Restore Program - Establishment

BILL NUMBER: HB 90

PREPARED BY: Chuck Cook

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__x__ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Small businesses that are located in a Sustainable Community and have plans to improve a vacant property (that they own the lease of) may apply for grants from eligible place-based community development associations and local government entities. These grants must be used towards the vacant property that the small business has a lease on.