SB 409

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 409 (Senator King)
Budget and Taxation

Economic Development - County or Municipal Corporation Economic Development Authority - Powers and Use of Proceeds

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This bill expands the definition of authority in the Economic Development Article to include a revenue authority, a redevelopment authority, or other similarly named authorities, and expands the powers of an authority, as specified. The bill provides that an authority may receive money from any public, private, or nonprofit source to fund the authority's activities, powers, and duties in accordance with statute. The bill authorizes an authority to issue bonds in accordance with an ordinance adopted by the governing body that created the authority and expands the eligible uses of tax increment financing and bond proceeds.

Fiscal Summary

State Effect: The bill is not expected to materially affect State finances. The Department of Commerce can likely handle the bill's requirements with existing budgeted resources.

Local Effect: The bill is not anticipated to have a material, direct effect on local government operations or finances, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Authority funds are money made available to the authority under Title 12, Subtitle 2 of the Economic Development Article; revenues and any other money payable to or received by the authority from the ownership, use, sale, lease, or other disposition of property of the authority; and any other money made available to the authority.

Development includes new development, redevelopment, revitalization, and renovation.

A project area is a geographic area designated by the legislative body of a county or municipality within its jurisdiction as a project area. Under the bill, a county or municipality may adopt a resolution (1) designating a geographic area within its jurisdiction as a project area; (2) establishing a project area plan for the project area; and (3) authorizing the authority to implement the project area plan.

A project area plan is a plan established by a county or municipality for the project area that accomplishes at least one of the purposes under Section 12-103(B) of the Economic Development Article.

Powers of an Authority

The bill expands the powers of an authority established by a county or municipality to:

- own, hold and improve real and personal property;
- purchase, hold, maintain, utilize, manage, lease, obtain options on, or acquire by gift, grant, bequest, devise or otherwise any real or personal property, as specified;
- sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property;
- enter into contracts and other instruments necessary or convenient to exercise the authority's powers;
- provide for the demolition, construction, reconstruction, rehabilitation, improvement, alteration, or repair of real and personal property;
- insure or provide for the insurance of real and personal property or operations of the authority against any risks or hazards;
- sue and be sued;
- if disposing of or leasing land, retain control or establish restrictions and covenants running with the land consistent with the project area plan;
- enter into a lease agreement on real or personal property, either as a lessee or lessor;
- borrow money or accept financial assistance or other assistance from a public entity to comply with any conditions of any loan or assistance;
- issue bonds to finance the undertaking of any project area development or for any of the authority's other purposes, as specified;
- pay an impact fee, exaction, or other fee in connection with land development imposed by the county or municipality that designated the project area;
- make loans;
- use authority funds for specified purposes; and
- transact other business and exercise all other powers under statute.

An authority may acquire real property that is outside a project area only if the board of directors of the authority determines that the property will benefit the project area. Authority funds must be accounted for separately from the funds of the county or municipality that created the authority. An authority may accumulate authority funds, retained earnings, or fund balances in any fund.

Authorized Uses of Tax Increment Financing and Bond Proceeds

The bill expands the eligible uses of tax increment financing and bond proceeds to include:

- the installation of various infrastructure improvements for the purpose of encouraging development in development district;
- the issuance of loans for the purpose of encouraging development;
- specified administrative and operating expenses;
- the financing or refinancing in whole or in part: development costs of a development district, including housing expenditures inside and outside of a development district, as specified;
- affordable housing or homeless assistance;
- an incentive or other consideration paid with respect to the development district;
- the acquisition of land and the cost of the installation and construction of any publicly owned building, facility, structure, or other improvement within the development district;
- infrastructure and improvements outside the development district if the board of directors and the political subdivision that designated the development district determine it benefits the development district;
- making loans from one development district to another, as specified;
- a grant to the political subdivision to offset the tax increment financing that was paid to the authority;
- convention, conference, or visitor centers; and
- for any other purpose authorized under the bill.

Current Law: All counties and municipalities are authorized to utilize tax increment financing under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act). In Baltimore City, the authority to use tax increment financing is provided in the city charter. Under the Act, counties and municipalities may issue bonds to finance the development of an industrial, commercial, or residential area. Generally, the bond proceeds may only be used (1) to buy, lease, condemn, or otherwise acquire property, or an interest in property in the development district, a Regenal Institution Strategic Enterprise (RISE) zone, or a sustainable community; or needed for a right-of-way or other easement to or from the development district, a RISE zone, or a sustainable community;

(2) for site removal; (3) for surveys and studies; (4) to relocate businesses or residents; (5) to install utilities, construct parks and playgrounds, and for other needed improvements including roads to, from, or in the development district; parking; and lighting; (6) to construct or rehabilitate buildings for a governmental purpose or use; (7) for reserves or capitalized interest; (8) for necessary costs to issue bonds; and (9) to pay the principal of and interest on loans, advances, or indebtedness that a political subdivision incurs for a specified purpose.

The authority may also receive money from its incorporating county or municipality, the State, other governmental units, or nonprofit organizations.

State Fiscal Effect: Commerce advises the bill would likely lead to the department receiving an increased number of requests from county and municipal industrial development authorities (IDAs) for private activity bonds, previously known as industrial revenue bonds, issued for certain types of economic development and redevelopment projects. While such requests by an IDA would require a staff analysis and recommendations to the Secretary, Commerce advises the amount of increased activity under the bill is difficult to project and therefore the bill's impact on Commerce's operations and finances cannot be reliably estimated at this time. The Department of Legislative Services assumes Commerce can likely handle the bill's requirements with existing budgeted resources.

Local Fiscal Effect: The bill proposes various changes to an authority established by a county, or a municipality. While the bill expands the powers of nonbudgeted authorities in a county or municipality to purchase, own, and sell real property, issue bonds, and construct infrastructure, the bill will have no direct impact on county government revenues or spending.

Commerce advises the bill could improve the ability of county and municipal IDAs to finance specified economic development projects and potentially increase the tax base. While any increase in the tax base would serve to increase local property tax revenues, such an increase cannot be reliably estimated and is not a direct effect of the bill.

Small Business Effect: Commerce advises the economic development projects supported by county or municipal IDAs under the bill would likely have a favorable impact on small businesses associated with these projects.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 985 and HB 692 of 2024.

Designated Cross File: HB 97 (Delegate Qi) - Ways and Means and Environment and Transportation.

Information Source(s): Department of Commerce; Prince George's County; City of Laurel; Maryland Municipal League; Town of La Plata; Department of Legislative Services

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