

DATE: March 10, 2022

BILL NO.: House Bill 1451

COMMITTEE: House Appropriations Committee

POSITION: FAVORABLE

TITLE: Housing and Community Development – Business Projects and the Business Development Program – Financial Assistance

SPONSORS: Del. McIntosh

Description of Bill:

House Bill 1451 clarifies the types of financial assistance provided by the Department of Housing and Community Development's Neighborhood BusinessWorks program and temporarily expands the definition of business project financial assistance to allow the Department to accept a convertible note as a form of repayment of a borrower obligation under the program. The convertible note provision is intended to be a pilot offering, and sunsets July 1, 2026.

Background:

The Department of Housing and Community Development's Neighborhood BusinessWorks program provides financial assistance to eligible businesses across the state of Maryland. The program works to develop businesses at the local level and revitalize local communities and economies. Currently, the Department has a number of tools to provide assistance to businesses: loans, loan assurance and guarantees, and the reduction in principal or prepayment of interest on a prior loan.

House Bill 1451 would expand the Department's financial assistance tools to include providing convertible notes to eligible businesses. These notes could be converted into equity stakes in the business in question, which would be sold at the earliest opportunity to realize program gains favorable for the State, which would be reinvested in Department programs. This bill would give the Department flexibility to assist more local businesses outside of the existing standard credit-based instruments it currently utilizes. Additionally, local businesses and governments would benefit from the increased funds for the Neighborhood BusinessWorks program brought about by the liquidation of the equity stakes.

In FY2021, the Department's Neighborhood BusinessWorks business development program invested more than \$12.5 million in projects, leveraging more than \$66 million in total project costs.

DHCD Position:

For these reasons, the Maryland Department of Housing and Community Development requests a **FAVORABLE** report on House Bill 1451.