

DATE: March 8, 2022

BILL NO.: House Bill 929

COMMITTEE: House Environment and Transportation Committee

POSITION: SUPPORT

TITLE: Department of Housing and Community Development - Opportunity Zone Fund - Establishment

SPONSORS: Chair, Environment and Transportation Committee (By Request - Departmental - Housing and Community Development)

Description of Bill:

House Bill 929 would establish a special fund, managed by the Department of Housing and Community Development, to invest in businesses located any of the 149 Qualified Opportunity Zones (QOZ) in Maryland. Though a business would need to be located in a QOZ, a Maryland business would not need to be a recipient of federally-designated Qualified Opportunity Fund (QOF) investment to be eligible for this State program. Opportunity Zones create economic incentives to draw investments into underserved communities and low income census tracts.

Background:

In 2017, Congress created the Opportunity Zone program as a tool to incentivize long term investment in targeted low-income areas, through the award of various tax benefits on eligible investments. Newly realized capital gains may be directed by investors into QOF before tax is paid. Taxes on eligible investments are then deferred for a period of time (subject to federal terms), with reductions in tax owed through a step up in basis at the five and seven year marks. Investments in QOZ that are held even longer, ten or more years, will result in the exclusion from taxes of any future gains realized from the Opportunity Zone investment, if sold prior to December 31, 2047.

In 2018, Governor Hogan, with the assent of the United States Department of Treasury, designated 149 QOZ in Maryland. While every county in the state has at least one QOZ, the greatest concentration of these census tracts is in the Baltimore region, with 42 in Baltimore City and 10 in Baltimore County. Another 39 are located in the Washington metro area, with 25 in Prince George's County and 14 in Montgomery County.

House Bill 929 would create a flexible fund, administered by the Department of Housing and Community Development, designed from the ground up to target private projects and programs in the state's Opportunity Zones. While this proposed program is designed to promote revitalization of neighborhoods located in designated QOZ, it is not expected that a project receive a QOF investment in order to be eligible. In fact, one of the benefits of this proposal is the flexibility to be able to invest both in QOF

projects, to attract capital, and to be able to direct funds to projects and businesses in the same neighborhood, in order accelerate the development and revitalization of these communities.

With a limited amount of capital available for federally qualified tax benefits, Maryland and our QOZ are in a competition with every other state in the nation for these long term investment dollars. The creation of this program will demonstrate the State's ongoing commitment to improving the lives of residents in these underserved communities. The Opportunity Zone Fund will support local jobs and plant seeds of generational wealth in these communities by creating opportunities for entrepreneurship and growth of locally owned businesses.

Between FY19 and FY21, the combined state and private investments in QOZ totaled over \$512 million, financing a grand total of over \$4.7 billion in projects. The Opportunity Zone Fund would give the Department the flexibility it needs to maximize housing, employment, and development opportunities in underserved areas across the state.

DHCD Position:

For these reasons, the Maryland Department of Housing and Community Development requests a **FAVORABLE** report on House Bill 929.