

CHAO WU, PHD
Legislative District 9A
Howard and Montgomery Counties

Ways and Means Committee



The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

March 6, 2023

Environment and Transportation Committee
Room 251
House Office Building
Annapolis, MD 21401

Re: Development Transparency Act of 2023

Good afternoon, Chair Barve, Vice Chair Stein and members of the Environment and Transportation Committee.

For the record, I am Chao Wu, Delegate from District 9A. It is my honor and privilege to present my first ever bill to your esteemed committee. Constituents seek, and we believe you agree, that transparency fundamentally requires disclosure of those hidden individuals owning entities which are petitioning for land use benefits. Ethics also essentially requires disclosure of the individuals owning entities seeking government benefits.

House Bill 1195 requires some land use petitioners to disclose the ownership of the applicant. Disclosure of ownership is limited to land use petitions. Furthermore, the ONLY petitioners who would be required to disclose ownership are those few land use petitioners who are using an "entity name" to hide their real motives, and past practices, from decision makers who need to be fully informed. Although required ownership disclosure is common in other jurisdictions, individuals in Howard County and other Maryland jurisdictions have been successful in concealing the identity of actual owners.

"Each year, more than two million corporations, limited liability companies (LLCs), and other entities are formed in the United States. Historically, formation of these entities requires little to no disclosure of their beneficial owners. Though most people use these entities for lawful purposes, certain bad actors have taken advantage of this information void for illegal activities. On January 1, 2021, the US Congress passed the National Defense Authorization Act for 2021, which included the Corporate Transparency Act (CTA), requiring the disclosure of beneficial owners." Corporate Transparency Act: Beneficial Ownership Disclosure Requirements. February 25, 2021.

Disclosure statements are also required by Federal Rule of Civil Procedure 7.1. "... where a party is a nongovernmental joint venture, limited liability corporation, partnership, or limited

liability partnership, that party must include in its disclosure statement filed pursuant to Federal Rule of Civil Procedure 7.1 the name of every owner, member, and partner of the party, proceeding up the chain of ownership until the name of every individual and corporation with a direct and indirect interest in the party has been identified.” Standing Order issued by the United States District Court for the District of Delaware, April 18, 2022.

HB 1195 removes this non-disclosure tool used by some entities which profit to the disadvantage of the common good. There is no reason why entities that petition for land use tax benefits, tax incentives, exemptions, waivers and other beneficial treatments should not disclose the ownership of the entity filing the petition.

We also filed an amendment, which Legislative Services published this last Friday, to narrow the disclosure of ownership to be more limited and specific. Also, the Amendment resolves the note by the Business Law Section of the Maryland Bar Association that a separate Section I-407 is unnecessary and redundant. That Section was removed. My office sent you the amendment on Monday, yesterday. We could also send anyone who asked a copy of what my staff put together to clearly see HB1195 as Amended.

We want to hold developers accountable, make our government and zoning boards transparent, and at the same time, we want to focus on the key players in these businesses, who own more than 10% stakes of a developer entity. Once dealing with public goods and asking for tax exemption, tax benefits, tax incentives, waivers, there should be no hidden secret. They need to disclose the ownership to the public.

Disclosure is needed so that the public can be fully informed and protected in the initial decision-making process against entities which claim to be "beneficial to the public", but in reality public health, community economic benefits have not been well taken into consideration.

“Transparency literally means see-through. It’s derived from the medieval Latin term ‘transparentia’, which translates to ‘shining through’. But what does transparency mean in terms of business or government, and why is it so important?

In a general sense, transparency ensures that goals and intentions can be understood even from an outside perspective, with those involved at upper levels held clearly accountable. It’s important for reducing corruption and bribery and is a helpful indicator of whether an organization can be trusted.

Another notable example, The Maryland Attorney General's September 2022 Westminster Settlement reveals an LLC management company (together with 25 related entities) owned 17 residential communities containing more than 9,000 rental units charged tenants illegal fees and failed to maintain the properties subjecting tenants to leaking roofs and ceilings, excessive mold, and rodent infestations, among other things.

The 3.25-million-dollar settlement was achieved after years of investigation and litigation. Litigation does not fully compensate those adversely affected. Disclosure of the owners of entities seeking preferential treatment regarding land use would enable avoidance of bad actors moving to new locations under different entity names. The settlement is reported at <https://www.marylandattorneygeneral.gov/press/2022/092322.pdf>.

More must be done to protect the public interest. Public interests are vulnerable and valuable. Public assets are taken advantage of. Officials are misled by powerful, persuasive, professional experts who withhold complete information. Fragile, scares public assets must be better protected for a better result.

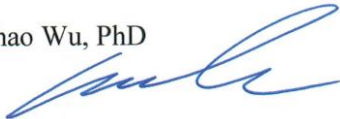
Making the ownership structure transparent and publicly accessible will help our normal people be informed, and the government in check.

For the fiscal impact: State Effect: The bill is not expected to directly affect State finances. Local Effect: The bill is not expected to directly affect local government finance

I am asking for a favorable report on HB1195 as Amended.

Kind Regards,

Chao Wu, PhD



Chao Wu
Legislative District 9A

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