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**DATE:** February 20, 2024

**BILL NO.:** House Bill 599

**TITLE:** Maryland Community Investment Corporation - Establishment (Housing and Community Development Financing Act of 2024)

**COMMITTEE:** House Environment & Transportation Committee

### Letter of Support

#### **Description of Bill:**

House Bill 599 establishes a community development entity called the Maryland Community Investment Corporation for the purpose of receiving and investing federal New Market Tax Credits and allows use of Strategic Demolition Fund resources for credit enhancement and debt service on government bonds, enabling expanded state investment in addressing vacant properties.

#### **Background and Analysis:**

Federal New Market Tax Credits, established in 2000 and administered by the Treasury Department, are primarily used to fund commercial, industrial, community facility, and mixed-use real estate projects, along with businesses located in qualifying low-income communities. About \$5 billion per year is currently allocated to the NMTC program.

Typically, community development entities (CDEs) act as intermediaries, competing for NMTC allocations and selling the tax credits to investors with federal tax liabilities. CDEs then use the funds from selling the tax credits, along with other public subsidies and private sector funds, to invest in development projects. Many jurisdictions across the country have established CDEs for this purpose, including the state of California, along with Chicago, Phoenix, Los Angeles, and Dallas. These CDEs have successfully channeled billions of dollars of federal investment into local communities, resulting in the construction of numerous major projects.

Creating a state sponsored CDE will give Maryland more mission and policy control over federal funding opportunities and allow it to work in concert with state funding programs. The Maryland Community Investment Corporation will be a crucial resource for channeling federal funds to Maryland communities.

Granting DHCD additional flexibility in the use of Strategic Demolition Fund money will be a key enhancement to the program. Expanding the allowable uses to include credit enhancements and debt payments will accelerate capital formation for program activity and will multiply the state's investment by an order of magnitude. This will enable greater and more efficient investment in revitalization projects, and the transformation of community liabilities into community assets.

#### **DHCD Position:**

The Department of Housing and Community Development respectfully requests a **favorable** report on HB 599.

