



SPONSOR TESTIMONY

House Bill 599 - Maryland Community Investment Corporation - Establishment (Housing and Community Development Financing Act of 2024)

Dear Chair Korman, Vice Chair Boyce, and Distinguished members of the House Environment and Transportation Committee,

One of my top priorities as Governor is addressing poverty in the State of Maryland. To make meaningful progress in this long standing challenge, we must ensure that we are leaving no resources on the table and utilizing all tools at our disposal in a strategic way. That is what House Bill 599, the Housing and Community Development Financing Act of 2024, seeks to accomplish.

The bill can be broken down into two primary sections:

Establishment of the Maryland Community Investment Corporation (“MCIC”)

This section establishes a new Community Development Entity (“CDE”) to serve as an instrumentality of the state, the Maryland Community Investment Corporation.

CDEs are entities certified by the U.S. Treasury Department to make loans or investments that stimulate community development. The legal structure of these entities is determined by the Treasury, and they are funded through the New Market Tax Credit (NMTC). NMTCs are used primarily to fund commercial, industrial, community facility, and mixed-use real estate projects, as well as operating businesses located in qualifying low-income communities. NMTCs can subsidize approximately 15% to 20% of a project’s capital needs, usually in the form of low-interest, forgivable debt. CDEs sell the tax credits to investors with federal income tax liabilities, and use the funds raised by the tax credit sale to make debt or equity investments in entities located in qualified low-income communities.

NMTCs are allocated based on a competitive annual process. \$5 billion annually is currently dedicated to this program. On average, approximately 50% of the CDEs that apply in the competitive round receive NMTC allocations, with an average award of \$50 million. Once a CDE receives a NMTC award, it has five years to utilize it. The more quickly CDEs utilize their allocated tax credits, the stronger their argument is to receive new funding in the next competitive round.

Many public jurisdictions have established new entities that have become certified CDEs to directly channel federal investment in their communities. For example, the State of California has deployed \$253 million in federal NMTCs through their CDE. As required by the U.S. Treasury, the Corporation would be managed by a Board of Directors with a Chair picked from among their membership. The proposed membership would include the Comptroller, the



Secretary of Housing and Community Development, the Secretary of Commerce, and two members appointed by the governor representing nonprofit entities in the state and low-income communities.

Alterations to Strategic Demolition and Smart Growth Impact Fund

This section of our legislation seeks to expand the eligible costs for which a grant or loan can be issued to a local government or community development organization under the Strategic Demolition and Smart Growth Impact Fund to include debt payments and credit enhancement.

Under current law, the purpose of the Fund is to provide grants and loans to assist in predevelopment activities, including interior and exterior demolition, land assembly, architecture and engineering, and site development for certain revitalization projects. This alteration to the Program is aimed at providing local governments and community development organizations an enhanced tool to promote development.

Taken together, these programs will help us to address the housing crisis and invest in low income communities across the State. For this reason, I respectfully request a favorable report on House Bill 599.

Sincerely,
Governor Wes Moore