

DATE: February 5, 2025

BILL NO.: Senate Bill 409

TITLE: Economic Development - County or Municipality Economic Development Authority
- Powers and Use of Proceeds

COMMITTEE: Senate Budget and Taxation Committee

Letter of Support

Description of Bill:

Senate Bill 409 expands the powers of a local economic development authority, including granting it additional authority to issue bonds and use tax increment proceeds, and expands the list of available names for such an authority.

Background and Analysis:

The Maryland Economic Development Revenue Bond Act allows a county or municipality to establish a quasi-governmental economic development authority for the purpose of promoting economic development and the creation, attraction and retention of industry and commerce. Under existing law, the powers of these authorities are limited to receiving funds from governmental units or nonprofits; charging fees for services; hiring employees and/or consultants; and using the services of other governmental units. Senate Bill 409 greatly expands the authority's powers, allowing it to:

- Receive and use funds from any public, private or nonprofit source;
- Purchase or otherwise acquire, own, improve, lease, and sell or otherwise dispose of, real property;
- Borrow money and directly issue bonds;
- Purchase insurance and sue or be sued;
- Pay land development impact fees; and
- Otherwise transact business as necessary and in keeping with the authority's statutory purpose.

The Maryland Tax Increment Financing Act currently allows local governments to issue bonds for the purpose of tax increment financing, by which the local government issues bonds backed by projected increases in property tax revenues (the "tax increment") created by bond-funded infrastructure improvements. In addition to granting economic development authorities to issue these bonds, Senate Bill 409 also expands the allowed uses of bond proceeds and tax increment funds to include a wide range of additional purposes, including:

- In a development district, RISE Zone or Sustainable Community, infrastructure improvements including streets, parking structures, lighting, storm drain/stormwater management infrastructure, noise and retaining walls, pedestrian infrastructure, recreational facilities, landscaping, and park facilities;
- Issuing loans for the purpose of encouraging redevelopment;
- Administrative and legal overhead costs;
- Financing of development costs, including environmental remediation;

- Affordable housing and homeless assistance;
- Acquisition and improvement of land; and
- Convention, conference, or visitors' centers.

Expanding the powers of local economic development authorities along with the allowed uses of bond proceeds and tax increment funds will give these authorities, and their jurisdictions, more freedom and flexibility to undertake projects that will address housing shortages as well as infrastructure deficiencies and economic stagnation. Senate Bill 409 will allow these authorities to better achieve their stated purposes of promoting economic development and the health, welfare and safety of Maryland residents, encouraging commercial and industrial activity, and relieving unemployment.

DHCD Position:

The Department of Housing and Community Development respectfully requests a **favorable** report on SB 409.





MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
7800 HARKINS RD • LANHAM, MD 20706 • DHCD.MARYLAND.GOV
301-429-7400 • 1-800-756-0119 • TTY/RELAY 711 or 1-800-735-2258





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