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DATE: January 23, 2025

BILL NO.: House Bill 90

TITLE: Housing and Community Development – Project Restore Program - Establishment

COMMITTEE: House Ways and Means Committee

Letter of Support

Description of Bill:

HB 90 formally establishes the Project Restore Program within the Department of Housing and Community Development (DHCD), supporting start-up and expanding small businesses to reactivate vacant commercial spaces in business districts designated as Sustainable Community Areas across the state. Awards are made to place-based economic development organizations and local governments to incentivize small business investment in vacant storefronts. Eligible uses of funding include rent, interior and exterior renovation, furniture, fixtures and equipment, and building acquisition. Providing support for acquisition allows the business owner to purchase the commercial building where their business is located, building wealth and preventing displacement.

Background and Analysis:

Launched by the Department in FY22 with American Rescue Plan Act funds, Project Restore has supported nearly 800 small businesses and created more than 1,400 jobs. In the first two rounds of Project Restore, more than 60% of the funding recipients were minority- and women-owned businesses, illustrating the special nature of Project Restore as both a place-based economic development tool and a vehicle for entrepreneur wealth building. In addition to growing small businesses and contributing to job creation, Project Restore enhances the character and appeal of Maryland's vital downtowns and neighborhood commercial districts.

In every program year, the Department has received more requests for funding than funding available. In FY22, the Project Restore program received more than 800 applications requesting \$62.9 million for \$25 million in available funds. The Department awarded \$23.9 million directly to 352 small businesses. In the FY23 round, DHCD received 761 applications requesting \$87.3 million in funding, and made 380 awards directly to small businesses totaling \$24.6 million.

In FY24, the Department redesigned Project Restore to make block grants to place-based economic development organizations that sub-grant those funds to small businesses starting in or expanding to vacant commercial spaces in revitalizing business districts. While Project Restore no longer provides funds directly to businesses, small businesses are still the end beneficiary. Working with place-based economic development organizations ensures the Project Restore investment is aligned with local placemaking and economic development goals and provides ongoing local technical assistance to small businesses. The Department received \$26 million in requests for the FY24 funding round from 92 organizations for almost \$15 million in remaining ARPA funds. DHCD awarded funding to 55 organizations, of which 32 represent Main Street communities.



Among the complement of grant programs provided by the state, Project Restore fills an important gap because:

- It is specifically designed to reduce vacant commercial spaces in downtown and neighborhood commercial corridors in need of revitalization.
- It provides low-barrier access to capital, particularly for women- and minority-owned businesses.
- The end beneficiary of the grant program must be a small business.
- It offers wrap-around support for small businesses through partnerships with and funding to place-based economic development organizations with a mission to revitalize their local commercial corridors. In addition to providing Project Restore funds to small businesses to fill vacant commercial spaces, these economic development partners support businesses with marketing, branding and other technical assistance that make it more likely for a small business to succeed.
- It supports micro and the earliest stage businesses, which can use the grant for start-up costs and does not require a match for awarded funds. For small businesses without personal wealth, a match requirement can be a barrier to entry.

The program supports a balanced distribution of funding across Maryland, from rural to urban areas, with specific emphasis on areas in need of revitalization. Below are success stories from three businesses that received Project Restore support.

Sweet Home Jamaica, a women-owned business providing Jamaican, vegetarian and seafood dishes in the Brooklyn neighborhood of Baltimore City, used Project Restore funding to make much needed repairs to their restaurant space. Surrounded by mostly vacant spaces when they opened, they have become an anchor to the block. Many of those vacant spaces are now occupied by new businesses. The restaurant gives back to the Brooklyn community, supporting local initiatives like back-to-school fundraisers.

The Ugly Pie, a women-owned bakery, is growing its business in a new space in Salisbury. The restaurant supplies the community with handmade, from scratch pie, quiche, and pot pies. Their larger kitchen and new staff allowed them to expand their menu. In their first year in business, they sold 30 pies for Thanksgiving; whereas, last year, they sold 950 pies for the holiday.

Runner's Wings, a veteran-owned business in historic downtown Frostburg, supplies the area's runners and fitness enthusiasts with shoes and accessories. Project Restore support ensured Runner's Wings was successful in its first years in business. Runner's Wings gives back to the community by sponsoring teams and events. The business was nominated for the Best of the Blue Ridge Awards for Running Shops in their first year of business.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on HB 90.



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