



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Warren G. Deschenaux
Director

October 22, 2012

The Honorable Thomas M. Middleton
P. O. Box 1735
Waldorf, Maryland 20604-1735

Dear Senator Middleton:

You asked for information concerning local redevelopment authorities. This letter is divided into three parts. Part I discusses Charles County's existing authority to facilitate redevelopment. Part II discusses State programs that may assist with redevelopment. Part III reviews the structure and powers of several local economic development entities in Maryland. As detailed below, existing State laws and programs likely already provide the tools the county needs to achieve its goals for redevelopment without the need for additional legislation to establish a local redevelopment authority.

Part I: Existing County Redevelopment Authority

Charles County is already authorized under various State laws to exercise powers that would facilitate redevelopment, including transit-oriented development.

Power: Exercise Eminent Domain

Description: Take private property for public use

Legal Authority: Art. 25, § 11A; Art. 25A, § 5(b) (applicable to code counties through Art. 25B, § 13)

Power: Undertake Commercial or Industrial Redevelopment Projects

Description: The county may "make use of federal or State financial assistance for commercial or industrial redevelopment projects for the purpose of making grants, loans, or guaranteeing loans to private entities..."

Legal Authority: Art. 25A, § 5(dd) (applicable to code counties through Art. 25B, § 13)

Power: Create Commercial District Management Authorities

Description: An authority may perform one of the following functions: (1) promotion; (2) marketing; or (3) security, maintenance, or amenities within the district. The county may tax businesses within the district to support the activities of the authority. The authority may not purchase, sell, construct, or as landlord lease office or retail space. The governing structure of the authority may be determined by the county.

Legal Authority: Art. 25A, § 5(ff) (applicable to code counties through Art. 25B, § 13)

Power: Create Industrial Development Authorities

Description: An authority is governed by a five-member board. An authority may receive money from the county, or other governmental units or nonprofit organizations and charge fees for its services. The county may issue bonds to finance the costs of the acquisition or improvement of a facility for a facility user. Funds from the sale of bonds may be provided to an authority. Projects need not be industrial in nature, but are only required to benefit commerce and economic development.

Legal Authority: Economic Development Article, Title 12, Subtitle 1

Power: Utilize Tax Increment Financing

Description: The county may establish a development district and use the additional property tax revenue generated by new development or redevelopment projects in the district to secure bonds. The proceeds of the bonds may be used to buy, lease, or condemn property, complete surveys and studies, relocate businesses or residents, install utilities, construct parks and playgrounds, roads, parking, lighting, or construct or rehabilitate buildings for governmental use.

Legal Authority: Economic Development Article, Title 12, Subtitle 2

Power: Issue Redevelopment Bonds

Description: The county may designate a "blighted area" and issue redevelopment bonds for the purpose of financing the redevelopment of the blighted area. The bonds may be secured by general county revenue, increased property tax revenue from redevelopment, or any other funds available. Bond proceeds may be used for acquisition of property, clearing of property, rehabilitating property, relocating occupants of property, and constructing or reconstructing structures.

Legal Authority: Economic Development Article, Title 12, Subtitle 3

Power: Conduct Redevelopment through the Housing Authority

Description: The county housing authority is empowered to construct, reconstruct, and operate housing projects for purposes of redevelopment. The authority may exercise the power of eminent domain. The authority may acquire, develop, rehabilitate, and operate commercial facilities that are adjacent to housing projects. Housing projects must be for the benefit of low-income individuals, but up to 80% of the residents of a housing project may have higher incomes.

Legal Authority: Housing and Community Development Article, Title 12; Art. 25A, § 5(b) (applicable to code counties through Art. 25B, § 13)

Power: Create Special Taxing Districts and Issue Revenue Bonds

Description: The county may create special taxing districts for any public purpose, including redevelopment, and may issue bonds secured partially or exclusively by revenue raised within a special taxing district. Taxes imposed may be *ad valorem* property taxes or assessed on a per parcel, front foot, square foot, or other basis.

Legal Authority: Art. 25A, § 5(o) and (p) (applicable to code counties through Art. 25B, § 13); Art. 24, § 9-1301

Power: Create Business Improvement Districts

Description: The county may create a business improvement district for the purpose of promoting the general welfare of businesses, residents, property owners, and the general public within the district. The district must be governed by a board of directors consisting of five members appointed by nonresidential property owners within the district. At least 80% of the owners of nonresidential property within a proposed district must petition for the creation of the district. A tax may be imposed on nonresidential property within the district to support the activities of the district.

Legal Authority: Economic Development Article, Title 12, Subtitle 4

Power: Finance Infrastructure Improvements Supporting Transit-Oriented Development

Description: Chapter 182 of 2009 gave 11 counties, including Charles County, special authority to finance infrastructure supporting transit-oriented development (TOD), such as parking garages. Charles County may only exercise this authority in commercial or light industrial zones. Chapter 182 allows the county to (1) use special taxing district revenue to pay directly for TOD infrastructure capital costs; (2) use special taxing district revenue to pay for TOD infrastructure owned by the State, Maryland Economic Development Corporation (MEDCO), or other public entity; (3) use any local tax, not just property taxes, to secure a TOD tax increment financing bond; (4) use tax increment financing or special taxing district bonds issued by MEDCO; and (5) use special taxing district revenue for operations and maintenance costs of TOD infrastructure.

Legal Authority: Art. 24, § 9-1301

Part II: State Redevelopment Programs

There are numerous State agencies and programs that could assist the county in a redevelopment effort. Programs administered by the Department of Housing and Community Development include the Neighborhood Business Works Program, Community Legacy Program, Main Street Maryland, the federal Community Development Block Grant Program, and the State Sustainable Communities Tax Credit Program. The Department of Business and Economic Development administers the Maryland Economic Development Assistance Authority and Fund. The Maryland Economic Development Corporation, an independent public corporation, may also facilitate redevelopment projects. I suggest that you contact these agencies for further information about their programs.

Part III: Local Economic Development Entities

In 17 Maryland counties, the economic development entity is an office of the county government. In 15 of these counties, the head of the economic development agency is appointed by and reports to the county executive or county commissioners, and in 2 of these counties, an independent commission oversees the economic development office. In an additional

seven counties, there are independent authorities or corporations that administer economic development programs. **Exhibit 1** lists the type of economic development entity that exists in each county. These entities may be private corporations or quasi-public entities. Counties may use a private corporate structure because it provides more flexibility for conducting business, such as raising and investing funds. These private corporations are typically funded primarily by taxpayers and the board of directors may be appointed by the local government.

The following is a brief summary of the structure and powers of several local economic development authorities or private corporations that operate in Maryland.

Exhibit 1
Organizational Structure for County Economic Development

<u>Economic Development Commission</u>	<u>County Department or Office</u>		<u>Economic Development Corporation or Authority</u>
Somerset	Allegany	Garrett	Anne Arundel
Washington	Baltimore	Harford	Baltimore City
	Calvert*	Kent***	Caroline
	Carroll	Montgomery	Howard
	Cecil**	Queen Anne's	Prince George's
	Charles***	St. Mary's	Wicomico
	Dorchester	Talbot	
	Frederick	Worcester	

*Calvert County also has an economic development commission and a development authority.

**Cecil County also has an economic development commission.

***Charles and Kent counties terminated their economic development offices during fiscal 2010 and transferred their functions to their respective tourism offices.

Source: Department of Business and Economic Development

Howard County

Howard County Economic Development Authority

Structure: The authority is governed by a board consisting of 13 members appointed by the county executive and confirmed by the county council. Members serve staggered four-year terms and are compensated only for expenses. The executive director of the authority is appointed by the county executive with the approval of the board.

Powers: The authority is empowered to coordinate the industrial development bond program, develop and implement an economic development plan, acquire and dispose of property, and administer economic development grants and the economic development incentive fund.

Legal Authority: The authority was authorized by Chapter 356 of 1993. The authority is established in Title 26 of the Howard County Code.

Prince George's County

Prince George's County Redevelopment Authority

Structure: The board consists of seven public members and two *ex officio* members. The *ex officio* members are the county chief administrative officer and the county housing director. Five public members are appointed by the county executive with the approval of the county council, and two public members are appointed solely by the county council. Members serve four-year staggered terms. The authority may appoint, with the approval of the county executive, an executive director, secretary-treasurer, and general counsel.

Powers: The authority has the power to acquire property, including by eminent domain, own, lease, develop or redevelop property, and dispose of property. Any taking of property by eminent domain must be approved by the county executive and county council. It may charge rents or fees for the use of its property or services. The authority may issue revenue bonds and general obligation bonds. The authority adopts its own operating budget after review by the county executive and county council. The county executive and county council must approve the authority's capital budget.

Legal Authority: The authority was authorized by Chapter 266 of 1996. The authority is established in Subtitle 15B of the Prince George's County Code.

Anne Arundel County

Anne Arundel County Economic Development Corporation

Structure: The corporation is a nonprofit, nonstock corporation. A majority of its board of directors is appointed by and subject to removal by the county executive. The county executive's economic development officer serves as the corporation's CEO.

Powers: The authority may provide loans to businesses to start, expand, or relocate in the county. The county provides funding for the corporation. The county and the corporation are required to have an agreement governing county funding to the corporation and the county's economic development program.

Legal Authority: This corporation is established in Art. 3, Title 3 of the Anne Arundel County Code.

Baltimore City

Baltimore Development Corporation

Structure: The corporation is a nonprofit corporation under contract with the city to provide economic development services. The corporation has a 15-member board of directors composed primarily of business people from the Baltimore area who serve on a volunteer basis for four-year terms. Three seats on the board are reserved for representatives of city government, including the Department of Finance, the women- and minority-owned business office, and the mayor's office. The board is appointed by the mayor, and board members may be removed by the mayor. A majority of the corporation's budget is provided by the city.

Powers: The corporation carries out the city's economic development programs, including urban renewal. Proposed projects must be approved by the board of directors and the mayor. Some projects also require approval by the city's board of estimates or the city council. The corporation is empowered to exercise eminent domain.

Legal Authority: The State constitution specifically allows the General Assembly to authorize Baltimore City to acquire property, including by eminent domain, and dispose of property for purposes of redevelopment. Art. XI-B, § 1. The General Assembly granted the city redevelopment authority in Art. II, §§ 15 and 15A of the city charter. Under these provisions, the city may acquire property, including by eminent domain, and dispose of property for purposes of redevelopment. The city may issue revenue bonds to finance redevelopment, including for commercial or residential projects. The city may create an agency to exercise redevelopment powers. The city has delegated its redevelopment authority to the Baltimore Development Corporation, which operates in accordance with a charter and other contractual agreements with the city.

Military Installation Redevelopment Authorities

State law authorizes the creation of military installation redevelopment authorities to redevelop military installations slated for closure or realignment. Special statutes establish the Bainbridge Development Corporation to redevelop the Bainbridge Naval Training Center in Cecil County and the PenMar Development Corporation to redevelop Fort Ritchie in Washington County.

Structure: An authority is created when the Secretary of Business and Economic Development files articles of incorporation with the State Department of Assessments and Taxation. An authority must be governed by a board of directors consisting of State, local, and military officials who serve four-year terms. The board appoints an executive director.

Powers: An authority may acquire and dispose of property and charge rents and fees for its services or facilities. The Maryland Economic Development Corporation may issue bonds on behalf of the authority to finance costs of a project.

Legal Authority: Economic Development Article, Title 11, Subtitles 3, 4, and 5

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I hope this information is responsive to your request. Please contact me if you would like additional information or require further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Stanford D. Ward".

Stanford D. Ward
Policy Analyst

SDW/ncs

cc: Mr. Karl S. Aro
Mr. Warren G. Deschenaux

