



Senate Bill 600

Regional Institution Strategic Enterprise Zone Program

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Ways & Means Committee

Date: March 25, 2014

From: Natasha Mehu

The Maryland Association of Counties **SUPPORTS** SB 600, **WITH AMENDMENTS**. This bill provides a tool to spur economic development and revitalization surrounding anchor educational institutions and nonprofit entities. Counties suggest that a local approval mechanism – specifically, over the incentives drawn from local revenues - would improve the local buy-in for these projects, and counties support amendments to create this process.

SB 600 would allow qualified institutions and nonprofit entities who have a strong and demonstrated history of commitment to economic development and revitalization within their local communities, to apply to the Department of Business and Economic Development (DBED) for designation as a Regional Institution Strategic Enterprise Zone (RISE Zone). Upon designation, the institutions and businesses located within the RISE Zones would receive county and State tax credits and benefits.

As originally introduced, SB 600 would impose a mandate on a county government to provide property tax credits within the RISE Zone, without affording the counties the ability to approve or disapprove the designation of the zone or the tax credit. The bill as it has been amended by the Senate now creates a two-track system. If a county or municipality applies for a RISE Zone as a joint applicant with the qualified institution, one set of tax credits is applied. If the county or municipality is not a joint applicant, another less generous set of tax credits is applied.

While MACo appreciates the efforts to address local government concerns regarding zone designation and mandated tax credits, the Senate amendments do not fully address the concerns with the bill. The two-track system affords the counties more say, but a zone may

still be designated and tax credits approved even if the local government is not on board. The local government has no authority to disapprove of the zone. Property taxes are a significant revenue source for counties and municipalities. Therefore, it is crucial for the local government to have the authority to approve or disapprove the designation of the zone and its boundaries.

Local government approval is particularly important when the full scope of the potential zone designations are taken into account. For instance, a RISE Zone cannot overlap a Tax Increment Financing (TIF) or similar development district because the local jurisdiction would not be able to leverage the property tax values to pay for the public improvements that the TIF and similar districts were designed to do. Likewise, given the bill's broad designations of new growth-oriented zones, local governments want to ensure that their locally adopted comprehensive plans, zoning laws, and other land use decisions are not contradicted by these new entities that do not benefit from the same community and stakeholder input. The local government is in the best position to determine what incentives are already in place in a proposed zone and what, if any, additional incentives may be possible or appropriate.

To address these concerns, MACo proposes that the RISE Zones are treated in a manner that is consistent with other successful State economic development programs including Enterprise Zones. More specifically, the county or municipality in which the RISE Zone is located should have the authority to approve or disapprove designation of the zone and the accompanying tax credits. Additionally, local government reimbursement from the State for 50% of the property taxes that are not collected due to the program should be included, as they are in Enterprise Zones. RISE Zones should also be prohibited from being located in a development district or a specified special taxing district, such as a TIF district, and the RISE Zone designation must not override local zoning. Finally, the amended bill currently asks DBED to join with multiple stakeholders to help develop several facets of the RISE program that would be specifically subject to new forthcoming regulations. In addition to developing the regulations, the stakeholder group should also address other administrative procedures or guidelines that may be needed to develop the RISE program. Specific amendments, jointly supported by the Maryland Municipal League (MML), are enclosed.

With these amendments, the RISE Zone designation promises to be a targeted tool to leverage the resources and expertise of qualified institutions and to incentivize job creation and financial investment in the communities in which these institutions are located. For these

reasons MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on Senate Bill 600. MACo would welcome an opportunity to work with the Committee to help further refine the process and the incentives envisioned in the bill.



Maryland Association of Counties (MACo)
Maryland Municipal League (MML)

Amendments

SB 600: Regional Institution Strategic Enterprise Zone Program

MACo and MML Amendment No. 1 – Local Government Approval Authority

On page 8, after line 3, insert:

“(X) THE SECRETARY MAY NOT APPROVE THE APPLICATION UNDER D(1) OF THIS SUBSECTION UNTIL THE LOCAL GOVERNING BODY OF THE COUNTY AND, IF ALL OR PART OF THE RISE ZONE IS TO BE LOCATED WITHIN THE BOUNDARIES OF A MUNICIPAL CORPORATION, THE GOVERNING BODY OF THE MUNICIPAL CORPORATION IN WHICH THE PROPOSED RISE ZONE IS TO BE LOCATED APPROVES BY RESOLUTION THE DESIGNATION OF THE RISE ZONE AND ITS BOUNDARIES.”

Explanation: The bill would impose a mandate on a county government to provide property tax credits within the RISE Zone, without affording the counties the authority to approve or disapprove the designation of the zone or the tax credit. Property taxes are a significant revenue source for counties and municipalities. The RISE Zone balances loss of revenue with potential revitalization. Therefore, it is crucial for the local government to have the authority to approve or disapprove the designation of the zone and its boundaries.

MACo and MML Amendment No. 2 – 50% Reimbursement of Tax Credit

On page 19, after line 8, insert:

“(G) AS PROVIDED IN THE STATE BUDGET, THE STATE SHALL REMIT TO EACH COUNTY OR MUNICIPAL CORPORATION AN AMOUNT EQUAL TO ONE-HALF OF THE FUNDS THAT WOULD HAVE BEEN COLLECTED IF THE PROPERTY TAX CREDIT UNDER THIS SECTION HAD NOT BEEN GRANTED.

(1) REIMBURSEMENTS.

(I) QUARTERLY OR MORE FREQUENTLY, THE COUNTY OR MUNICIPAL CORPORATION SHALL SUBMIT A REQUEST TO THE DEPARTMENT OF ASSESSMENTS AND TAXATION FOR THE AMOUNT REQUIRED BY SUBSECTION (G) OF THIS SECTION.

(II) WITHIN 5 WORKING DAYS AFTER THE DEPARTMENT OF ASSESSMENTS AND TAXATION RECEIVES THE REQUEST FROM THE COUNTY OR MUNICIPAL CORPORATION, THE DEPARTMENT SHALL CERTIFY TO THE COMPTROLLER THE REIMBURSEMENT DUE TO EACH COUNTY OR MUNICIPAL CORPORATION.

(III) WITHIN 5 WORKING DAYS AFTER THE COMPTROLLER RECEIVES THE CERTIFICATION FROM THE DEPARTMENT, THE COMPTROLLER SHALL REIMBURSE EACH COUNTY OR MUNICIPAL CORPORATION.”

Explanation: This amendment ensures that RISE Zones are treated in a manner that is consistent with other successful State economic development programs, such as the Enterprise Zone program, in which local governments are reimbursed for a portion of the property tax credits granted within the zone. It provides an incentive for local governments to participate in the RISE program and ensures that there is joint buy-in from the State for the development zone.

MACo and MML Amendment No. 3 – RISE Zones Cannot Overlap TIF or Special Taxing Districts

On page 8, after line 3, insert:

“(X) THE SECRETARY MAY NOT APPROVE A RISE ZONE IN A DEVELOPMENT DISTRICT AS DEFINED IN THE TAX INCREMENT FINANCING ACT, SUBTITLE 2 OF TITLE 12 OF THE ECONOMIC DEVELOPMENT ARTICLE, OR IN A SPECIAL TAX DISTRICT, AS DEFINED IN LOCAL GOVERNMENT ARTICLE, TITLE 21, AND THE BALTIMORE CITY CHARTER, SECTION 62A, WHICH WAS CREATED BY A POLITICAL SUBDIVISION, MAYOR AND CITY COUNCIL OF BALTIMORE, OR A MUNICIPALITY.

Explanation: This amendment would prohibit a RISE Zone from being located in a development district or a specified special taxing district where tax increment financing (TIF) is being used. A RISE Zone cannot overlap a TIF or similar development district because the local jurisdiction would not be able to leverage the property tax values to pay for the public improvements that the TIF and similar districts were designed to do.

MACo and MML Amendment No. 4 – RISE Zones Don't Override Local Zoning

On page 6, after line 27, insert:

(G) THE ESTABLISHMENT OF A RISE ZONE UNDER THIS SUBTITLE SHALL NOT BE CONSTRUED TO LIMIT OR SUPERSEDE A PROVISION OF A COMPREHENSIVE PLAN, ZONING ORDINANCE, OR OTHER LAND USE POLICY ADOPTED BY THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION, OR BY A BICOUNTY AGENCY WITH LAND USE AUTHORITY OVER THE AREA ESTABLISHED AS A RISE ZONE.

***Explanation:** This amendment clarifies that the RISE designation does not override local zoning. Given the bill's broad designations of new growth-oriented zones, in many cases without input or approval from the local governing body, local governments want to ensure that their locally adopted comprehensive plans, zoning laws, and other land use decisions are not contradicted by these new entities that do not benefit from the same community and stakeholder input.*

MACo and MML Amendment No. 5 – Expansion of Stakeholder Group Review

On page 25, in line 21, after "regulations", insert:

"to be promulgated under this Act, as well as any administrative procedures, standards, or guidelines that may be needed to fully implement the provisions of this Act."

***Explanation:** The bill currently asks DBED to join with multiple stakeholders to help develop several facets of the RISE program that would be specifically subject to new forthcoming regulations. However, numerous parts of the law require standards or judgment by the Secretary or the Department, but are not itemized as being directly subject to regulations. This amendment would specify that the stakeholder workgroup would look not only at regulations, but also at other administrative procedures or guidelines that may be needed to develop the RISE program.*

MACo and MML Amendment No. 6 – Tax Credit Clarification

On page 16, in line 10, after “(B)” insert: **(1)**.

On page 16, after line 13, insert:

“(2) UNLESS THE COUNTY IN WHICH A MUNICIPAL CORPORATION IS LOCATED AGREES TO THE DESIGNATION OF THE RISE ZONE IN THE MUNICIPAL CORPORATION, QUALIFIED PROPERTY IN THE MUNICIPAL CORPORATION MAY NOT RECEIVE A TAX CREDIT AGAINST COUNTY PROPERTY TAX.”

***Explanation:** This amendment provides technical clarification that in the event a municipal corporation agreed to the designation of the RISE Zone but the county has not, the property tax credit would be generated against the municipality property tax.*