

Rethinking Priority Funding Areas

How to improve the current way the State of Maryland spends its money

I. Introduction

During several meetings of the Task Force on the Future for Growth and Development the recommendation to re-tool Priority Funding Areas has been a common theme. The broad purpose of Priority Funding Areas (PFAs) is to focus State spending to make the most efficient and effective use of existing infrastructure, to preserve existing neighborhoods and to preserve Maryland's fields, farms, and open spaces. PFAs, established by law, include:

- Municipal boundaries as of January 1997
- Designated Neighborhood Program Areas
- Enterprise Zones
- Heritage Areas that are also county growth areas
- Inside the Beltways
- Local Governments MAY certify additional areas consistent with criteria (growth areas)

Certain criteria must be met in order for an area to be a certified PFA: Existing or planned water and sewer service, average permitted residential density of 3.5 units per acre, growth plan consistent with projections, and a PFA size based on an assessment of land needed for 20 years' growth.

Nearly 12 years have passed since the PFA law was adopted. It has never been changed to meet the current landscape of growth and development. The Task Force has ascertained the necessity of recommending changes for PFAs in order to better serve Marylanders. The Task Force Chairman, Mr. Jon Laria has requested that the Maryland Department of Planning conceptually lay out how PFAs could be reconstituted so that the Task Force can formulate a recommendation about PFAs. The following is the Maryland Department of Planning's (MDP) concept on the original Task Force recommendation to restructure PFAs to include three areas: priority growth areas, stabilization areas and preservation areas. It is important to note that this is a concept and the attached map is for illustrative purposes.

II. MDP's Approach to Restructuring PFAs

MDP has been keenly aware of PFA challenges and deficiencies even before the Task Force convened. The Task Force and MDP are in alignment to see changes to the PFAs, and MDP sees this Task Force as an opportunity to spur meaningful consideration of how PFAs can work better for Maryland. PFAs determine how the State of Maryland invests its resources to promote smart growth, so consideration should be given to how the State's investments can improve Maryland's fiscal health.

The reorganization consists of two categories- Development and Conservation. Each has several levels embedded in it.

III. Development

The development category includes three (3) types of areas that encompass the existing defined Priority Funding Areas recognized by the State.

A. Priority Growth Areas

Priority Growth Areas (PGA) is areas in which the State can readily dispense its funds. They have a high building density, offer affordable housing and access to multiple modes of transit, can actually build and/or expand transit-oriented communities, have plentiful water and can handle additional sewerage. The types of areas that are PGAs are the State's Enterprise Zones and places where Transit Oriented Design is feasible. The PGA may include municipalities and some areas inside the Beltways but not all of them.

What are the criteria?

1. Transit orientated development (TOD) is one means to address a variety of issues ranging from traffic congestion to affordable housing, air pollution, and sprawl by creating compact (typically, density is planned within ½ mile of a transit station), mixed use and walkable communities centered around transit stations.

During the 2007 legislative Session the General Assembly passed SB204/HB373 which recognized the "role of transit plays in reducing highway congestion and greenhouse gas emissions, it is the intent of the General Assembly that land uses surrounding transit stations throughout the State be developed in a manner that is conducive to greater transit ridership and designed to promote transit, walking, and bicycling in addition to the automobile as a means of transportation". The Bill defines transit oriented development as:

Transit oriented development means a mix of private or public parking facilities, commercial and residential structures, and uses, improvements, and facilities customarily appurtenant to such facilities and uses, that:

Is part of a deliberate development plan or strategy involving:

Property this is adjacent of the passenger boarding and alighting location of a planned or existing transit station; or

Property, any part of which is located within one-half mile of the passenger boarding and alighting location of a planned or existing transit station;

Is planned to maximize the use of transit, walking, and bicycling by residents and employees; and

Is designated as a transit oriented development by:

The Secretary in consultation with the Secretaries of Business and Economic Development, General Services, Housing and Community Development, the Environment and Planning; and

The local government or multi-county agency with land use and planning responsibility for the relevant area.

Common features frequently found at TOD sites include:

- Range of housing offerings and pricing with a mix of commercial, retail and office uses.
- TOD is pedestrian and bicycle friendly.
- Tallest buildings are clustered immediately around the transit station, with the density of development tapering off as you go farther out.
- Parking should be carefully managed (limited, shared parking, parking decks rather than surface lots).
- High quality transit service with access to bus and/or rail.

Taking advantage of opportunities to create higher density transit destinations along our transit system allows the State to put the land around the transit stations to a higher and better use, facilitating the return of these lands to local tax roles. Transit station areas also make excellent opportunities for public- private partnerships to enhance State-owned or leased transit stations and parking areas, while enabling a private developer to create transit orientated development.

2. Enterprise Zones revitalize and stabilize communities by attracting new businesses, retaining jobs and providing incentives for employers to create new jobs. Businesses operating within an Enterprise Zone may be eligible for a tax credit towards their state income tax filings based upon the number of new jobs created, and a tax credit on their local real property taxes based on their overall capital investment into a property.
 - Real property tax credits: Ten-year credit against local real property taxes on a portion of real property improvements. Credit is 80 percent the first five years, and decreases 10 percent annually thereafter to 30 percent in the tenth and last year.
 - Income tax credits: One- or three-year credit for creating new jobs. The general credit is a one-time \$1,000 credit per new employee. For economically disadvantaged employees, the credit increases to a total of \$6,000 per employee distributed over three years.

Focus Area Tax Credits

Businesses locating in a focus area within the Baltimore City, Prince George's County, or Takoma Park/Long Branch enterprise zones may be eligible for the following tax credits:

- Real property tax credits: Ten-year, 80 percent credit against local real property taxes on a portion of real property improvements (credit does not decline in a focus area as it does with the standard benefit.)

- Personal property tax credits: Ten-year, 80 percent credit against local personal property taxes on new investment in personal property within a focus area.
- Income tax credits: One- or three-year credit for creating new jobs. The general credit is a one-time \$1,500 credit per new employee. For economically disadvantaged employees, the credit increases to a total of \$9,000 per employee distributed over three years.

B. Priority Reinvestment Areas

Priority Reinvestment Areas (PRA) is areas which have historically consisted of a mix of residential and commercial development. Typically these are areas that have experienced decay and lack of investment. Designated Neighborhoods and Community Legacy Areas would be the primary identifier of PRAs.

What are the criteria?

1. Designated Neighborhoods are mixed-use areas in need of social and/or physical revitalization, which are selected by the local jurisdictions and approved by the Secretary of the Department of Housing and Community Development (DHCD). They are established neighborhoods that have residential as well as commercial uses. Some State funding programs are available only to applicants located in or servicing clients who reside in Designated Neighborhoods. These programs include:
 - Office and Commercial Space Conversion Initiative
 - Neighborhood Business Works Program
 - Retrofit Sidewalk Program
 - Increased Incentives for the Job Creation Tax Credit Program
 - Priority Points for applications to Capital and Non-capital Historic Preservation Grant Program
 - Priority Points for applications to The Maryland Heritage Preservation and Tourism Areas Program

The criteria that are considered before an area may become a designated area are:

- The availability, cost and condition of business facilities.
- The number and age of abandoned structures.
- The number and age of substandard structures.
- The income of residents relative to State or regional median incomes, including the number of persons who are welfare recipients or unemployed.
- The extent of unemployment and the ability to upgrade the social and economic conditions of the designated neighborhood.
- The need for financing for small businesses to upgrade the social and economic conditions of the designated neighborhood
- The neighborhood development or redevelopment strategy of the local jurisdiction for the designated neighborhood.
- Any plans and financial commitments of local jurisdictions to undertake improvements in the designated neighborhood.
- Standards established for other relevant State or Federal programs.
- Local government participation in revitalization activities including whether the area has been designated an enterprise zone.

- The presence of a special taxing, national register, or local historic district.
 - Support from community or business organizations.
 - Other revitalization projects undertaken in the designated neighborhood.
2. Community Legacy Areas assist urban neighborhoods, suburban communities and small towns that are experiencing decline and disinvestment, but have the potential, with modest public and private investment, to again be vibrant places to live and work. Community Legacy provides flexible financing to meet the unique needs of each community it serves. Funds will be used to both complement and supplement existing State resources. Reduced property taxes and tax increment financing are two methods used in many revitalization efforts.

Community Legacy helps stabilize existing communities, which have significant public and private investment in education and other cultural institutions, parks, water and sewer, streets and sidewalks. By attracting residential and business growth, towns and cities can once again be vibrant centers of community, preventing development in the “cornfields”.

C. Stabilization Areas

Stabilization Areas are areas which do not meet fit in to the profile of PGAs and PRAs. These areas are focused on maintaining infrastructure (water, sewer, road facilities) while promoting and preserving a solid quality of life.

III. Conservation

The categories of conservation areas appear below. It is envisioned that the designation of conservation areas is based on analysis of resource land status (amount of existing residential subdivision and development), vulnerability (how much more development can occur under current zoning), and threat (how much market demand is present). Considered together, these measures estimate the degree to which land use is stabilized by zoning, preservation and land use tools commensurate with market demand. They can be used to assess the likelihood that State goals for conservation of large contiguous areas of resource land, relatively free from the compromising impacts of development, can be achieved. Maryland’s various land preservation programs would consider which conservation PFA category it would fall into when it comes to prioritizing their program expenditures.

A. Rural Resource Lands- Level 1

These would be areas where successful conservation of relatively large geographic extents of resource lands is feasible, because the compromising effects of development have been and are likely to continue to be limited. Resource lands are fairly intact and the vulnerability and threat to the land from development is limited by strong local zoning and related subdivision and development tools, or the absence of a large development market for residential lots. These areas would be a focus for major State investment.

B. Rural Resource Lands- Level 2

These would be areas with low to moderate levels of fragmentation by development. However, zoning, and related subdivision and development tools are not stabilizing land use commensurate with development pressure. Conservation investment is not protected, because the areas are so vulnerable to subdivision and development. In Level 2 areas, the State would seek collaborations with the local

government to see if they might wish to embrace conservation objectives and use local land use tools to protect the State's conservation investment, thereby meriting conservation investment similar to Rural Resource Lands-Level 1.

C. Small Scale Conservation Areas

The resource value of lands in the Small Scale Conservation Areas has been badly compromised by development. Further, the land use tools in place are unprotective and have permitted excessive development, before easement programs could achieve their goals. State conservation goals are highly unlikely to be achieved.

However, these are areas where isolated conservation efforts can be implemented. Particular resources can be completely protected through preservation of relatively few parcels. Typically these lands have a unique attribute that is extremely important to conserve. These areas comprise two types: places like old rural hamlets that were developed long ago and are not expecting much growth; and areas that are undeveloped now and are vulnerable to development that they may not get. In both cases, investment in land preservation is justified.