



To: Sustainable Growth Commission

From: Derick Berlage, Chairman, Concentrating Growth Workgroup

Subj: Update on Workgroup Recommendations

Date: September 24, 2012

Our workgroup created four committees, and they have been hard at work. Here is a summary of what we will report to you on Monday:

Financing Smart Growth

Attached please find a report on this topic. We believe that many of these recommendations are ripe for adoption by the full Commission. Others may require additional research so that they can be considered for adoption at a future meeting. We will explain the recommendations and solicit your feedback.

Smart Growth Report Card

Attached please find a report on this topic. We believe that the Commission should begin to issue an annual "smart growth report card" that assesses progress on a statewide and regional level. We will explain our thinking, and solicit your feedback on: outcomes and policies that should be used to create the report card "grades"; the data sources that should be used; the proper geography for the regional report cards; and any other issues.

Streamlining the Development Approval Process in Smart Growth Locations

A recommended list of streamlining strategies was endorsed by the Commission at a previous meeting. The Commission's leadership is looking for jurisdictions that would be willing to adopt those strategies as a pilot program. Chairman Laria will report on these efforts.

Rural Growth Issues

This committee is still deliberating and will report at a future Commission meeting.



Sustainable Maryland 2.0

Financing Smart Growth

Recommendations to the Sustainable Growth Commission

from the Concentrating Growth Workgroup

Sustainable Maryland 2.0

FINANCING SMART GROWTH

Recommendations to the Sustainable Growth Commission From the Concentrating Growth Workgroup

Overview

Draft: Sept. 24, 2012

In January of 2010, the Revitalization Incentives Workgroup of the Task Force On The Future For Growth and Development in Maryland issued the report, “Sustainable Maryland: Accelerating Investment in the Revitalization and Livability of Maryland’s Neighborhoods”. That report identified four overarching goals for reinvestment in Maryland’s existing and historic neighborhoods; the report also identified 14 specific recommendations to meet the four main goals, and more than 50 specific steps for achieving the 14 recommendations.

There has been significant progress since the recommendations were issued. Highlights include:

- Legislative and programmatic enhancement of and budgetary support for such core revitalization programs such as Community Legacy, Neighborhood BusinessWorks, Community Investment Tax Credits and the Maryland Sustainable Communities Rehab Tax Credit.
- Creation and implementation of the Sustainable Communities Area designation to renew local revitalization strategies and align State and local investment in local revitalization priorities. So far, 25 local communities have refined the boundaries of their revitalization target areas and developed new sustainable revitalization strategies.
- Return to life of the Local Government Infrastructure Finance program (LGIF). Under the enhanced LGIF program, approximately 300 million has been financed for local infrastructure in existing communities.
- Establishment of a sustainable funding source for nonprofit housing counseling agencies which are working to stabilize homeownership and therefore, neighborhoods. A special fund capitalized by lender fees has so far raised \$7.7 million for nonprofits working to help local families and their communities.

The Concentrating Growth Workgroup of the Sustainable Growth has taken up the stewardship of the goals identified in the first Sustainable Maryland report and established a “Financing Smart Growth” sub-group to identify next step priorities. The purpose of the sub-group’s report is to summarize recommendations for strengthening current tools for Smart Growth, as well as develop new tools to expand public-private partnerships and the financing available for the revitalization and redevelopment of existing neighborhoods.

The four overarching priorities recommended by the sub-group are:

1. Establishment of a renewable funding mechanism to increase special funds for CORE Smart Growth programs, with the aim of raising \$35 million annually.
2. Enhancement of legislative authority for Tax Increment Financing (TIF) such that substantial new investment can be made in older existing communities and with State incentives.
3. Enhancement of local infrastructure financing in older communities via LGIF or a more formal Infrastructure Bank.
4. Strengthen nonprofit community investors – Community Development Financial Institutions (CDFIs) – through a State capacity building program.

These recommendations will be elaborated upon in Chapter Four. Chapter 2 provides key summary information about the State’s CORE Smart Growth programs. Chapter 3 provides case studies to guide the development of strategies to achieve the four goals summarized above.

Building on the success of Sustainable Maryland, the Concentrating Growth Workgroup looks forward to this next implementation phase. Implementation will engage the full Sustainable Growth Commission, along with public and private partners to advance both legislative and administrative initiatives needed to advance these priorities.

Chapter 2: (a) Core smart growth funding sources and (b) other State programs with a sustainable funding source

Core State Smart Growth programs are funded primarily through General Obligation (GO) bonds and tax credits. The Financing Smart Growth Sub-Group has reviewed programs that have dedicated revenue streams, which may be considered for the future. A description of current smart growth programs funded through GO bonds and tax credits is located in Section A, and other State programs that support smart growth goals and have a dedicated/sustainable funding stream are summarized in Section B.

(a) Smart Growth Core Programs

Program and Year Created	Lead Agency	Eligible Area	Program Description and Eligible Uses	Eligible Applicants	Recent Appropriations and Avg. Award	Funding Demand and Details	Current Funding Source
Community Legacy (CL) 2001	DHCD/NR	Sustainable Communities	Capital grants and loans designed to assist communities that have the potential, with modest public and private investment, to be vibrant places to live and work. Projects should capitalize on the strengths of a community and be part of a larger revitalization strategy.	Local Governments Community Development Organizations Groups of Local Governments	FY 2013 - \$6 M FY 2012 - \$4.25 M FY 2011 - \$4.25 M FY 2010 - \$2.1 M FY 2009 - \$4.7M Avg. Award: \$100,000	3:1 Annual application. Secretary's reserve of 10%.	GO Bonds
Neighborhood Business Works (NBW) 1995	DHCD/NR	Sustainable Communities	Business loans that provide flexible gap financing to small businesses locating or expanding in revitalization areas. Eligible Uses include but not limited to real estate acquisition, new construction or rehabilitation, leasehold improvements, machinery and equipment.	Maryland-Based Small Businesses (defined by the U.S. SBA) Nonprofit Organizations (which contribute to a broader revitalization effort)	FY 2013 - \$4.25 M FY 2012 - \$4.25 M FY 2011 - \$3.2 M FY 2010 - \$3.1 M FY 2009 - \$3.8 M Avg. Award: \$200,000	Open and Rolling Financing ranges from \$25,000 to \$500,000 for up to 50 percent of a project's total cost.	GO Bonds

Program and Year Created	Lead Agency	Eligible Area	Program Description and Eligible Uses	Eligible Applicants	Recent Appropriations and Avg. Award	Funding Demand and Details	Current Funding Source
Community Investment Tax Credit (CITC) 1996	DHCD/NR	Priority Funding Areas	State tax credits for use as incentives to attract contributions from individuals and businesses to benefit local projects and services. Businesses and individuals that donate can earn tax credits equal to 50% of the value of the money, goods or real property contribution.	Nonprofit organizations designated as a 501(c)(3) by the Internal Revenue Service	Avg. Award: \$20,000 FY 2013 - \$1 M FY 2012 - \$1 M FY 2011 - \$1 M FY 2010 - \$1 M FY 2009 - \$1 M	3:1 Contributions of money, goods or real property worth \$500 or more are eligible for tax credits. Individuals and businesses may claim a maximum of \$250,000 in tax credits per year.	State of MD Tax Credit
Local Government Infrastructure Financing 1988	DHCD/CDA	Projects service Priority Funding Areas	Community Development Administration (CDA) issues bonds, on behalf of counties, municipalities and/or their instrumentalities, to finance projects that serve the community at large. These projects can include, but are not limited to, streetscape improvements, transportation enhancements, and water and sewer treatment facilities.	Maryland counties, municipalities and/or their agencies	Financing ranges from \$150,000 to \$10 Million Avg. Award: \$1.5 M	Open and Rolling Bond Market twice a Year	CDA issues tax-exempt bonds

Program and Year Created	Lead Agency	Eligible Area	Program Description and Eligible Uses	Eligible Applicants	Recent Appropriations and Avg. Award	Funding Demand and Details	Current Funding Source
The Maryland Sustainable Communities Rehabilitation Tax Credit Program 1996	MDP/MHT	Commercial: National Register or local historic district, or certain historic or non-historic structures in a Certified Heritage Area Residential: National Register or local historic district	Provides Maryland income tax credits based on a percentage of the qualified capital costs expended in the rehabilitation of a structure for the following types of projects: <ul style="list-style-type: none"> •20% credit for single-family owner-occupied residences and commercial buildings •25% credit for high-performance commercial buildings •10% credit for non-historic structures in historic districts or Sustainable Communities 	Commercial income-producing properties (including office, retail, rental housing, etc.) Owner-occupied residences Heritage Areas: Only non-residential structures used for heritage tourism-related purposes	Commercial: FY 2013 - \$7 M FY 2012 - \$7 M FY 2011 - \$11.2 M FY 2010 - \$5 M FY 2009 - \$10 M FY 2008 - \$24.6 M FY 2007 - \$30.3 M FY 2006 - \$20 M FY 2005 - \$0 Residential: No Cap	Commercial: 5:1 Residential: Open and Rolling The qualified rehabilitation costs exceed the greater of 50% of the adjusted basis value of the structure or \$25,000.	State of MD Tax Credit
Maryland Heritage Areas Program	MDP/MHT	Maryland's current twelve Certified Heritage Areas	Maryland's Heritage Areas are locally designated and State certified regions where public and private partners make commitments to preserving historical, cultural and natural resources for sustainable economic development through heritage tourism.	Grants: Non-profits and governments, Loans: Non-profits, governments, businesses, individuals	FY 2013 - \$3 M FY 2012 - \$3 M FY 2011 - \$3 M FY 2010 - \$3 M FY 2009 - \$3 M FY 2008 - \$3 M FY 2007 - \$3 M FY 2006 - \$1 M FY 2005 - \$1 M Avg. Award: \$35,000	1.5:1 Annual Application	State of MD Property Transfer Tax

(b) State programs with sustainable funding sources

Program	Lead Collecting Agency/Benefactor	Year Created	Program Description and Eligible Uses	Eligible Applicants	Funding Levels/ Annual appropriation	Funding Source(s)
Program Open Space	Judiciary (Circuit Courts)/Department of Natural Resources	1969	Acquire recreation and open space for public use.	<p>Funds are split between state and local government, with the state receiving more funding.</p> <p>State funds purchase land for state parks, forests, wildlife habitats, and other natural, scenic, and cultural resources for public use; some go to capital, operating, and maintenance costs.</p> <p>Funding is granted to local governments ("Localside POS") using an allocation formula (accounting for amount transfer tax collected, population growth, etc.) to help them buy land and build parks so they can meet their Land Conservation and Recreation goals.</p>	<p>No fixed annual appropriation; amount has fluctuated greatly, especially in recent years.</p> <p>\$20 million over three years (FY12-14) for Localside POS, which includes operating costs.</p> <p>State receives more for its projects.</p>	Maryland real estate transfer tax (.5 of 1 percent) and federal programs like the National Park Service's Land and Water Conservation Fund. In addition to POS, funds collected from the Maryland real estate transfer tax goes toward other DNR programs like easement acquisition and agricultural land preservation.
"Treasure the Chesapeake" License Plate Program	Motor Vehicle Administration (MVA)/Chesapeake Bay Trust	1990	Grants go toward removing trash and restoring habitat, running children's educational and public awareness programs, and building capacity for watershed and river organizations.	<p>Nonprofits, religious institutions, schools, and other tax-exempt entities</p> <p>Local governments</p>	<p>In FY 2011, 50,000 Maryland drivers purchased and 200,000 drivers renewed a Bay plate. A new plate purchase is \$20, and annual renewal is \$30 per plate.</p> <p>Total grant award in FY2011 (from all Trust funding sources) was more than \$5.5 million.</p>	Voluntary fee collected by the SHA.

Program	Lead Collecting Agency/Benefactor	Year Created	Program Description and Eligible Uses	Eligible Applicants	Funding Levels/ Annual appropriation	Funding Source(s)
Chesapeake Bay Fund Tax Donation	Comptroller of Maryland/Chesapeake Bay Trust	1989	See Bay license plate program.	See Bay license plate program.	In 2010, Maryland residents contributed \$1.1 million through the tax check-off program.	Volunteer donation to the Chesapeake Bay and Endangered Species Fund collected by the comptroller. Proceeds divided evenly between the Chesapeake Bay Trust and the Maryland Department of Natural Resources' Wildlife and Heritage Division.
"Our Farms, Our Future" Agricultural License Plate Program	MVA/Maryland Agricultural Education Foundation	2001	Increase agricultural literacy via elementary, middle, and high school programming, and the mobile Maryland Agriculture Showcase.	Funds go toward educational programs and a small grant making program for teachers.	Over \$5,548,000 has been generated from the "Ag Tags" since they were available in 2001.	Ag Tag revenue is part of larger MAEF funding that includes grants, individual contributions, and fundraiser programs.
Small, Minority- and Women-Owned Fund NOTE: The program is still in draft form, so all information is subject to change.	Comptroller/Department of Business and Economic Development (DBED)	2012-13	Provide loans/equity investments to small, minority- and women-owned businesses. 50 percent of funds have to be used in locations where casinos are located.	An RFP for fund managers is targeted to go out in October (may change). Loans from DBED will be granted to fund managers, who will then give out loans to small, minority- and women-owned businesses. Potential agencies include Anne Arundel Economic Development, and Meridian Management Group, which contracts with DBED for another small business program.	Monies have not been disbursed since the opening of the first Md. casino. For 2011, about \$2 million was collected; for 2012, about \$3 million; and for 2013, there is a projected \$7 million due to the Anne Arundel opening. Once the program starts, the hope is to generate \$7 million annually, although may change.	1.5 percent of all "video lottery terminal" (slots) revenue; currently, three of the state's five planned casinos are open. If table games are permitted in Maryland, there is a possibility that those revenues will be included.

Program	Lead Collecting Agency/Benefactor	Year Created	Program Description and Eligible Uses	Eligible Applicants	Funding Levels/ Annual appropriation	Funding Source(s)
Maryland Affordable Housing Trust (MAHT)	DHCD/DHCD	1992	<p>Encourage affordable housing for Maryland households earning less than 50% of area or statewide median income by hosting competitive funding rounds that go toward:</p> <ul style="list-style-type: none"> -capital costs of rental and ownership housing; -financial assistance for nonprofit-developer capacity building -supportive services for occupants of affordable housing; and -operating expenses of affordable housing developments. <p>Requirement to award projects that are geographically diverse, but no specific place-based Smart Growth requirement.</p>	<p>Nonprofits</p> <p>Public housing authorities</p> <p>Government agencies</p> <p>For-profit entities</p>	<p>State appropriation of \$1.5 million for FY2012.</p> <p>Revenue fluctuates greatly with the real estate market.</p> <p>In FY2011, MAHT awarded about \$3.1 million; in FY2010, MAHT awarded about \$2.2 million.</p>	<p>A portion of the interest generated by title company escrow accounts, the return of unused funds, and loan repayments. The Trust may also accept donations from the federal government, state government, local governments and private sources.</p>

Chapter 3: What’s Missing? Tools and Case Studies

Financing tools and other mechanisms that are underutilized or missing in Maryland

- **Tax Increment Financing for targeted Revitalization Areas**
- **Infrastructure Banks**
- **Community Development Financial Institutions (CDFIs)**

Case study 1

Financing Tool: Tax Increment Financing (TIF)¹

Define the Tool

Tax Increment Financing or TIF is a method used by local governments to help finance local economic development projects by assigning property tax revenue resulting from increases in assess values within a designated TIF district. TIF expenditures are generally debt financed in anticipation of increased tax revenue. The practice originated in California in 1952 as a way of raising local matching funds required for federal grants. It became increasingly popular in the 1980s and 1990s as federal subsidies for local economic development declined.

How It Works, the State’s Role

Currently 49 states and the District of Columbia authorize the use of TIFs by county or municipal governments. The State provides enabling authority. The use of a TIF is at the local government’s discretion. Tax revenues generated by the value of a property at the time a TIF district is created continue to flow into the jurisdiction’s general fund. During the life of the TIF, revenues generated by any increase in local property taxes are deposited into a special fund for specified uses such as infrastructure or other improvements in support of redevelopment. Any increase in revenues not needed for debt service (bond repayment) go to the jurisdiction. When all bonds have been repaid, the jurisdiction receives all taxes generated by the redevelopment as part of regular taxes. While the TIF is in place, the jurisdiction benefits from other increases in tax and fee revenues not subject to the TIF, such as income, personal property, utility, hotel taxes and income from permits and fees. Bonds supporting TOD can be issued by the Maryland Economic Development Corporation on behalf of local governments.

Annual Funding Levels

The annual TIF issuance in Maryland varies dramatically from one year to the next based on market conditions and local priorities. For example, in 2004 more than \$120 million in TIF was issued in Maryland, however between 2000 and 2003 the annual amount was less than \$20 million. In 2010 total Maryland TIF issuance was more than \$40 million.

Legal Basis/Statutory Authority

Maryland Tax Increment Financing Act (1980): Article 41, Title 14, Subtitle 2. The Act authorized counties to issue TIF bonds to finance redevelopment of industrial, commercial and residential areas.

¹ Source: Partners for Economic Solutions, “Introduction to Tax Increment Financing”, March 2011.

In 2009, House Bill 300 enhanced the TIF authority of counties to finance costs associated with transit oriented development (TOD). Article - 23A Corporations – Municipal (44A , 44A) Economic Development (12-201 , 12-201 , 12-201 , 12-201 , 12-209 , 12-210) Article - 24 Political Subdivisions - Miscellaneous Provisions (9-1301 , 9-1301 , 9-1301) Transportation (7-101).

For BRAC impacted areas (BRAC Zones) the State reimburses the local government for 50 percent of the property taxes devoted to a BRAC-related TIF project, up to a total of \$5 million statewide over a 10 year period.

Outcomes

Examples of projects financed by TIFs in Maryland include National Harbor in Prince George’s County, East Baltimore Research Park in Baltimore City, Park Place in Annapolis and the Mondawmin Mall renovation in Baltimore City.

Nationally, only 5 in approximately 2000 TIFs defaulted in 2010, one of the toughest years for assessed property values. No Maryland bonds have gone into default.

Next Steps

Tax increment financing is a valuable tool for targeted investment in economic development in Maryland. Maryland’s TIF authority could be enhanced by technical changes and applying models from other states. In particular, TIFs can be a valuable resource for improvements in areas targeted by state and local governments for Smart Growth investment where values are expected to rise over the long term. Historically, TIFs in Maryland have been project based. Enhancing local authority to create TIFs for Smart Growth geographies such as sustainable communities, rather than specific projects can provide flexibility to support state and local revitalization strategies, while responding to development opportunities as they arise.

Case study 2

Financing Tool: Infrastructure Banks and Funds

Define the Tool

Banks: Many states have established federally- and state-funded infrastructure banks and/or funds to support local transportation and infrastructure improvements. While most banks are established with federal funds from the US Department of Transportation Federal Highway Administration and used solely for transportation projects, some states have capitalized their banks with state revenues thus providing more flexibility to establish loan rules and regulations and determine which projects are financed. These banks are essentially revolving loan funds that offer both loans and credit enhancements and vary widely in loan capacity, from under \$1 million to more than \$100 million.²

² <http://westcoastcollaborative.org/files/sector-trucking/SIBfactsheet.pdf>

The original federal program was established in 1995 by U.S. Congress under Title XXIII, Eligible Highway and Transit Projects. The information in this case study about infrastructure banks comes from Ohio, the first in the nation to make a highway loan and a transit loan.

Revolving Loan Funds: Other States, such as the State of Washington have established revolving loan funds to support important infrastructure projects. The State of Washington established the CERB (Community Economic Revitalization Board) in 1982 to fund and oversee public infrastructure improvements that encourage new business development and expansion so as to generate new jobs.³

How It Works, the State's Role

Banks: Ohio's State Infrastructure Bank (SIB) issues loans and bond financing for federal, state, and local transportation projects and aviation, rail, port facilities, and other intermodal transportation facilities, including Rails to Trails. The bank is managed by Ohio's Department of Transportation.

Loan terms vary. The State has offered repayment terms ranging from a one-year deferment with no interest to one large balloon payment after an agreed upon period of time. The State awards between 5 and 25 loans per year.

In addition to flexible loan terms, methods of repayment vary as well, such as, repayment via future gas tax or motor fuel tax revenues. Jurisdictions have also pledged TIF revenues and parking garage taxes.

Revolving Loan Funds: The CERB meets every other month to review applications for loans and grants that are submitted by local governments to improve publically-owned infrastructure and facilities, such as, bridges, roads, domestic and industrial water, earth stabilization, sanitary sewer, storm sewer, railroad, telecommunications, electricity, transportation, natural gas, buildings or structures, and port facilities.

CERB approved projects are typically offered 20 year loans and receive a 5 year deferral period. Local governments tend to follow a level debt service throughout their repayment periods. CERB approved loans do not affect the bonding capacity of municipalities. In the past, the loans offered by the State had a variable interest rate, however; now, as of November 2011, offer a fixed interest rate at either 2.5% (for distressed areas) or 3% (for non-distressed areas).

Local governments are required to provide a project match and evidence that the project would not be feasible without the financial support from the State. Local governments must also demonstrate their capability to repay the loan. In the rare, if ever, case of default the State has the right to hold a lien on the property that was financed.

³ <http://www.choosewashington.com/business/financing/revitalization/Pages/default.aspx>

Annual Funding Levels

Banks: The Ohio SIB “was capitalized with a \$40 million authorization of state general revenue funds (GRF) from the Ohio State Legislature, \$10 million in state motor fuel tax funds, and \$87 million in Federal Title XXIII Highway Funds.”⁴ The SIB always maintains a \$5 million reserve and only loans to public entities. The SIB once made a \$3 million loan to a private entity and the loan recipient defaulted. After that, loans only were made to public entities.

Revolving Loan Funds: The state legislator approves the CERBs annual appropriation from the Public Facilities Construction Revolving Loan Account. Last fiscal year, the CERB received a \$5 million appropriation. The highest appropriation received by the Board was \$20 million.

Legal Basis/Statutory Authority

Banks: “SIBs have been authorized by the U.S. Department of Transportation for more than 15 years. The Transportation Equity Act for the 21st Century, passed in 1998, continued the program until the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETUA-LU) expanded the option so that all states and the District of Columbia could transfer a limited amount of the state’s Highway Trust Fund allocations to SIBs (generally, 10 percent).”⁵

Revolving Loan Funds: The Community Economic Revitalization Board (CERB) was legislatively created in 1982. The board meets regularly to provide oversight of the fund in the State of Washington. CERB members consist of governor’s appointments, legislators and agency heads.

Outcomes

Banks: The Ohio Infrastructure Bank was capitalized with \$137 million (64% federal funds, 29% state general revenue funds, 7% state motor fuel tax revenues). As of March 2011, 96 loans with federal dollars had been made in the amount of \$297,516,125 and 45 loans with State dollars in the amount of \$62,041,232.

Revolving Loan Funds: The State of Washington created a temporary public infrastructure grant program in 2012. The 2012 Capital Budget contained a \$12 million appropriation for the creation of a competitive grant program for CERB (the Board). Grant requests can range from \$20,000 - \$500,000.

Next Steps/Summary

Revolving loan funds and infrastructure banks appear to offer similar products, specifically, loans to make infrastructure improvements, however, in the case of the CERB revolving loan fund, it has made various loan/grant combinations. It appears that infrastructure banks are capitalized with federal funds and primarily support transportation related infrastructure

⁴ <http://www.dot.state.oh.us/Divisions/Finance/Pages/StateInfrastructureBank.aspx>

⁵ Source: National Employment Law Project. State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation. Briefing Paper, December 2011.

http://www.nelp.org/index.php/content/content_issues/category/job_creation_and_economic_recovery/

improvements, whereas, a revolving loan fund appears to have much more flexibility without the federal capitalization. Additionally, the revolving loan funds, at least in the State of Washington, have made loans in smaller amounts than the infrastructure banks. Given that the State of Maryland has a Local Government Infrastructure Financing (LGIF) Program capitalized with bond financing, it may be worthwhile to better understand how to make adjustments to that program to accommodate Smart Growth and concentrated development.

Case study 3

Financing Tool: State CDFI fund

Define the Tool (include the State in which this tool is used and the year created)

Community Development Financial Institutions (CDFI's) are financial institutions that financial products and services to people and communities that are underserved by the traditional banking sector. The current national network of more than 1000 CDFI's (950 are certified by the CDFI Fund) had its beginnings with community development credit unions in the 1930s. That network expanded in the 1960's as part of the "war on poverty". In the 1970's CDFIs expanded by reaching out to private organizations for funding – particularly religious organizations. Community Development Credit Unions such as South Shore Bank in Chicago and the Santa Cruz Community Credit Union had their beginnings in the 1970s. Several changes in the 1990s led to rapid expansion of the CDFI network:

- Creation of the CDFI Fund in 1994
- Updated CRA regulations recognizing loans to CDFIs an eligible activity
- Success opened the door to new sources of financing⁶

While the volume of lending by CDFIs is small relative to traditional banking institutions, CDFI's play a critical role in reaching borrowers not served by the traditional banking sector. While CDFI's have been successful in securing support from federal sources such as the New Markets Tax Credits and the CDFI fund, federal support only accounts for seven percent of all CDFI capital.

How It Works, the State's Role

As community lenders, CDFIs have special knowledge of the communities and borrowers they serve. A key ingredient in the success of CDFIs is their ability to provide individualized service and direct technical support. In spite of making loans that may be considered too small or too risky by the traditional banking sector, loans originated by CDFIs have a lower default rate than traditional lenders. Successful CDFI borrowers eventually "graduate" to borrowing larger amounts from traditional lenders.

Successful CDFI models across the country vary in terms of the type and level of state support. Successful models include strong statewide networks providing advocacy, technical support and knowledge sharing.

⁶ Source: CDFI Coalition web site, <http://www.cdfi.org/about-cdfis/what-are-cdfis/>

Examples include:

Pennsylvania Community Development Bank. 43 CDFIs have lent nearly \$52 million since 1996. Launched in 1994 with an initial investment of \$17 million, the fund has been maintained through loan repayments and fee income from the state's bond financing program. The fund lends \$6-7 million annually. CDFI's Technical assistance grants have been key to a strong repayment record. No defaults.

New York CDFI Fund. 111 CDFI's have lent nearly \$180 million since 1996. Established in 2007, but not yet capitalized. Proposal for \$15 million will be considered by the New York State legislature in early 2013. Even without the fund, New York has a strong network of 81 CDFIs supported by a statewide coalition. **California.** 88 CDFIs have lent more than \$165 million since 1996. Model CDFIs include the Santa Cruz Community Credit Union: <https://www.scccu.org/>. **North Carolina.** 20 CDFI have lent nearly \$70 million since 1996.

Annual Funding Levels

Source and amount of funding varies state to state. CDFI's may also receive grants from the CDFI Fund. CDFI fund awarded more than \$186 million nationally in 2012. CDFI fund has awarded more than \$1.7 billion since 1994.⁷

Legal Basis/Statutory Authority

CDFI Act of 1994 signed into law by President Clinton on September 24, 1994. CDFI's are chartered by the U.S. Treasury Department.⁸

Outcomes

Historically very low default rates. Reaches borrowers underserved by traditional banking sector.

Next Steps

Early operating and technical support key to CDFI and borrower success. Statewide coalitions can provide capacity building, advocacy and shared knowledge. Maryland CDFI's vary greatly in terms of size, capacity and geographic focus. Maryland's CDFI network is well positioned to grow in terms of size and capacity, but lacks a strong network needed for advocacy, knowledge sharing and resource development.

Explore possibility of creating a state CDFI fund that can provide both capital and operating (technical assistance) support. Need detailed information on models from other states, particularly dedicated sources of funding for ongoing support. Continue dialogue with state, local and regional partners to build consensus on next steps. Consider convening CDFI's in

⁷ Source: CDFI Fund press release: "Treasury Announces More Than \$186 Million in Awards to Organizations Serving Low-Income and Native Communities", August 6, 2012.

⁸ Ibid.

conjunction with public and private partners to discuss models, challenges and build consensus from key stakeholders on next steps.

Chapter 4: Recommendations to the Sustainable Growth Commission from the Concentrating Growth Workgroup

Recommendation: Receive a portion of the Maryland real estate transfer tax. Program Open Space (POS), under the Department of Natural Resources, obtains some of its funding from .5 of 1 percent of the Maryland real estate transfer tax. It has generated significant revenue despite fluctuations in the housing market. POS monies have benefited the public by creating and/or preserving recreational and open spaces. We believe that another important public investment is in built environment projects, and that projects promoting concentrated growth are a natural use of real estate transfer tax revenue.

**“Report Card” Committee Report
Concentrating Growth Workgroup
September 24, 2012**

The committee is working to develop a format for an annual report card that can illustrate the progress Maryland is making in achieving Smart Growth. Two sets measures to track annual progress towards implementation of Smart Growth in Maryland:

1. Measures of Smart Growth Outcomes
2. Measures of Smart Growth Planning, Policymaking & Programming

The committee has identified the need for measures that track policy implementation progress. Outcome-based measures of smart growth, while important to track progress, have three significant limitations:

1. These measures require a significant length of time to demonstrate progress
2. These measures are heavily influenced by outside economic factors.
3. These measures are also subject to funding availability (e.g. land preservation)

However, measures of planning, policymaking and programming can illustrate how state and local government agencies are working to implement strategies that capitalize on the Maryland’s Smart Growth tools to meet established goals.

A comprehensive measurement of both on-the-ground outcomes and policy implementation can inform progress towards achieving Smart Growth in Maryland.

Beyond these outcome measure data points that directly correlate to the PlanMaryland benchmarks, the following data items can also illustrate progress towards Smart Growth implementation annually.

Smart Growth Outcomes

Most of these data items are currently reported by state agencies and represent readily accessible data. This is important because it eases the data gathering process and allows for annual collection.

Smart Growth Planning, Policymaking & Programming

Measuring planning, policymaking and programming of smart growth implementation can augment the smart growth outcomes to help illustrate how state agencies and local jurisdictions are capitalizing on Maryland’s Smart Growth tools.

Report Format

It is expected that a just selection of the potential measures listed above will serve as the basis for annual reporting. The report card will grade statewide performance in addition to regional statistics and findings. The report will indicate improvement, maintenance or declines over prior years. An associated narrative will help to explain the trends, particularly in light of economic factors and associated national trends.

Next Steps

1. Identify appropriate measures to include in each reporting area (outcomes and planning, policymaking, programming)
2. Develop final template/listing of measures
3. Identify best source to contribute relevant information.
4. Identify geographic relevance of datasets
5. Collect and combine data
6. Develop report card

