

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 385
 Appropriations

(Delegate Lehman, *et al.*)

Budget and Taxation

Maryland Economic Development Corporation - Student Housing - Applications
 and Occupancy Agreements

This bill requires the Maryland Economic Development Corporation (MEDCO) and an institution of higher education with a MEDCO student housing project to provide specified information to students regarding student housing in an occupancy agreement or when applying for student housing, respectively. Generally, the information must differentiate the implications of a student living in MEDCO student housing compared to an institution-owned residence hall. The bill applies only prospectively and may not be applied or interpreted to have any effect on or application to any student housing contracts entered into by MEDCO prior to the bill’s effective date. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: MEDCO and public institutions of higher education with MEDCO student housing projects can provide the specified information using existing resources. Revenues are not affected.

Local Effect: None. No local community colleges have MEDCO student housing projects.

Small Business Effect: None.

Analysis

Bill Summary:

Student Housing Application

An institution of higher education that leases land to MEDCO for the purpose of providing student housing must provide the following information when a student applies to be a resident of either a MEDCO student housing project or a residence hall that is owned by the institution of higher education:

- the names of all residences that a student may occupy; and
- an indication of those residences that are MEDCO housing projects.

Occupancy Agreement

An occupancy agreement between MEDCO and a student living in a MEDCO student housing project must:

- indicate each reference to MEDCO in bold type;
- state that MEDCO is the owner of the housing project; and
- provide contact information for the management company of the MEDCO student housing project.

Both Student Housing Applications and Occupancy Agreements

Both student housing applications and occupancy agreements, as specified, must include in plain language a differentiation of the implications of the following required occupancy agreement provisions for students living in a MEDCO student housing project compared to students living in residence halls that are owned by the institution of higher education: termination; *force majeure*; parties to the agreement; and start and end dates to the occupancy period.

Specifically, the information must include a statements that (1) MEDCO student housing projects are not owned or operated by the institution of higher education; (2) the occupancy agreement that is required prior to taking possession of a unit in a MEDCO student housing project is an agreement between MEDCO and the student and not between the student and the institution; and (3) explains the student's liability for rental payments if the student voluntarily or involuntarily vacates the MEDCO student housing project.

Current Law: MEDCO is a nonbudgeted entity that allows the State to own or develop property for economic development purposes. MEDCO was created in 1984 with the mission to help expand, modernize, and retain existing Maryland businesses and to attract new businesses to the State. The stated legislative purpose of the corporation is to (1) relieve the conditions of unemployment; (2) encourage increased business activity and commerce and a balanced economy; (3) assist in the retention and attraction of new business activity; (4) promote economic development; and (5) generally promote the present and prospective health, happiness, safety, right of employment, and general welfare of State residents.

MEDCO purchases or develops property that is leased to others under favorable terms. MEDCO also makes direct loans to companies throughout the State to maintain or develop

facilities, and it often serves as the conduit for loans administered by the Department of Commerce. MEDCO issues bonds to raise funds for its loans. The bond debt consists primarily of revenue bonds and notes payable to government agencies, such as Commerce. The debt represents nonrecourse obligations because MEDCO is not liable to bondholders and lenders in the event of a project or borrower default. Each project must have self-supporting revenues, and no projects are cross-collateralized. As a result, MEDCO's debt is not debt of the State, and there is no implied State guaranty or State obligation to protect bondholders from losses.

MEDCO also provides bond financing and ownership of student housing projects for higher education institutions. These projects do not impact the institutions' State-mandated debt capacities. MEDCO has project ownership of student housing projects by way of ground leases that terminate upon repayment of the MEDCO-issued bonds used to finance the project. Upon repayment of the bonds, ownership reverts to the ground lessor. Students sign a private lease with MEDCO, with lease terms generally from late August through July 31.

MEDCO has been involved in 322 projects through fiscal 2021. Of these, MEDCO currently owns and operates 15 as operating facilities, meaning that the corporation is involved in management decisions and has a hand in ensuring successful daily operations. For most other projects, MEDCO generally serves as an arms-length financing entity.

MEDCO is governed by statute under Title 10, Subtitle 1 of the Economic Development Article. A 12-member board of directors oversees and approves actions pertaining to the corporation's affairs and appoints the executive director. The Secretary of Commerce and the Secretary of Transportation serve as *ex officio* voting members. MEDCO's activities complement the marketing and financing programs of Commerce.

State Fiscal Effect: MEDCO, as well as any affected public four-year institution of higher education with MEDCO student housing, can provide the required information to students as specified using existing resources. More specifically, as of January 2022, MEDCO bonds financed 12 student housing projects, most of which are associated with the University System of Maryland (USM). Current USM associated projects are located at Bowie State University; Frostburg State University; Salisbury University; Towson University; University of Maryland, Baltimore Campus; University of Maryland Baltimore County; and University of Maryland, College Park Campus. Other MEDCO bonded projects are at Morgan State University. To the extent that there are new MEDCO student housing projects in the future (including potentially at Baltimore City Community College), the associated institutions can provide the required information using existing resources.

Further, in March 2020, at the beginning of the COVID-19 pandemic, USM closed all its campuses and campus services, including student housing for in-person services. At the

request of USM, MEDCO closed its student housing projects located at USM campuses and refunded almost \$16 million to students for their remaining leases, according to MEDCO's fiscal 2021 [report](#). For the fall 2020 semester, institutions delivered most courses remotely; as a result, some students living in MEDCO housing projects chose not to return to their campuses and requested refunds from MEDCO. The terms of the leases or licensing agreements vary by facility, as do the agreements reached between MEDCO and USM institutions. However, the bill does not affect those leases as it only applies prospectively.

Additional Comments: Capital Technology University, a private four-year institution of higher education, has a MEDCO-operated student housing project. Like the public institutions, Capital Technology University can provide the required information to students applying for student housing using existing resources.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 560 (Senators Feldman and Rosapepe) - Budget and Taxation.

Information Source(s): Maryland Economic Development Corporation; University System of Maryland; Department of Legislative Services

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