
January 25, 2023

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

Re: *Letter of Information – Senate Bill 151 – Equitable and Inclusive Transit-Oriented Development Enhancement Act*

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 151 but offers the following information for the Committee’s consideration.

Senate Bill 151 proposes changes to programs and agency functions in the interest of supporting State involvement in equitable and inclusive Transit-Oriented Development (TOD). The MDOT actively supports these goals and works closely with State and local partners to promote TOD as an approach to increase transit ridership and support economic development, while maximizing the efficient use of transportation infrastructure.

Proposed changes from Senate Bill 151 include a stated intent to ensure that “the Department make all reasonable attempts to include TOD as part of the preferred plan for development in areas served by transit services.” The MDOT is engaged in several ongoing efforts that currently align with this intent. The MDOT manages several State and federal programs for planning and infrastructure development and consistently seeks opportunities to leverage such programs in support of TOD. By closely coordinating with the Department of Housing and Community Development and other key agencies of the Smart Growth Subcabinet (including Planning, Commerce, and Natural Resources), the MDOT has been able to leverage broader expertise and programs to support affordable housing and other non-transportation elements. MDOT’s Office of Real Estate and Economic Development manages the State TOD program and coordinates with the various local jurisdictions and key agencies on the potential for State TOD designations. Additionally, the MDOT has partnered with many other State agencies to develop an interactive website, the State TOD Hub, that is a springboard for local jurisdictions, planners, elected officials, non-profit organizations, educational institutions, real estate professionals, and the general public. The website provides access to the “Transit Station Area Profile Tool” which provides interactive access to the most recent demographic, socio-economic, and ridership data for all of Maryland’s fixed rail stations.

Senate Bill 151 would require the MDOT to create and manage a new TOD Capital Grant and Revolving Loan Fund to promote TODs throughout the State. The bill requires an appropriation in the State budget in an amount sufficient to ensure a fund balance of \$10M at the start of each year, and the upfront capitalization of the Fund is \$10M. It is unclear in the current bill if that funding is expected to come from the Transportation Trust Fund or another source of funding.

The amount and pace at which these funds would have to be replenished is difficult to estimate and would vary depending on the interest and utilization of the Fund, whether these are provided as grants or loans, the payback period and rate for loans, the size of grants/loans provided, and the availability of funding from other sources. These uncertainties may pose challenges for the MDOT, not only in terms of projecting potential fiscal impacts, but also in managing cash flows and strategic investment to support the objectives of the program. By limiting eligibility to areas already served by transit, the fund could also inadvertently hinder efforts to also expand transit into currently underserved areas. Additionally, it is important to note that the TOD process begins with a local jurisdiction requesting TOD Designation from the MDOT; all zoning and economic development is controlled by the local jurisdiction.

The TOD Capital Grant and Revolving Loan Fund described in Senate Bill 151 would also require the MDOT to exercise responsibility for areas of expertise that are not currently in our purview. Whereas the MDOT's current collaborative approach for investing in TODs benefits from expertise in affordable housing and small business lending of our partner State agencies, the bill charges the MDOT directly with responsibility for developing scoring and assessment protocols in these areas. Creation of such a program would predictably also result in a major expansion of requests for TOD Designation and require major revisions to the process and criteria by which these decisions are made. To safeguard the State's financial interests, while meeting demands associated with the broad range of financial assistance described, the MDOT would need to re-evaluate how it handles TOD Designations (including creating means to terminate designations), while developing expertise in vetting private sector land development partners and creating a new mechanism to select and provide ongoing management of the funded projects. It is estimated that additional positions would be needed to address such specific needs, and to provide for the extensive financial accounting required of the Fund. The establishment of the program and management may potentially require additional positions and consultant support.

The MDOT looks forward to continued collaboration to ensure that our efforts to provide safe transportation infrastructure are also leveraged to support broader goals of economic development and equity in the State, and respectfully requests that the Committee consider this information when deliberating Senate Bill 151.

Respectfully submitted,

Pilar Helm
Director of Government Affairs
Maryland Department of Transportation
419-865-1090