

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 452 (Chairman, Appropriations Committee)  
(Departmental - Housing and Community Development)

Appropriations

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Department of Housing and Community Development - Rental Housing  
Production Program - Office and Commercial Space Conversion

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This departmental bill authorizes the Department of Housing and Community Development (DHCD) to provide financial assistance through the Rental Housing Production Program for conversion of office and commercial space to rental housing in locally designated revitalization neighborhoods without regard to program income eligibility requirements for tenants.

This bill takes effect July 1, 1998 contingent upon the inclusion in the fiscal 1999 budget bill of an increase in appropriations to the Rental Housing Production Program, provided that in fiscal 1999 and thereafter only the increase above the fiscal 1998 appropriation for the program may be used for conversion of office space to rental housing.

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Fiscal Summary

**State Effect:** The FY 1999 capital budget includes a \$3 million increase for the Rental Housing Production Program contingent on passage of this bill. Operating expenses, which are not included in the allowance, would increase by \$34,200 in FY 1999. To the extent that office and commercial space conversions spur employment and economic development beyond that which would occur absent this bill, State tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Effect:** Potential increase in expenditures in jurisdictions where office and commercial space conversions occur. To the extent that the conversions spur employment and economic development in certain jurisdictions, local tax revenues could increase.

**Small Business Effect:** DHCD has determined that the bill will have a meaningful economic impact on small businesses (attached). Legislative Services concurs with this

assessment. (This assessment does not reflect any amendments to the bill.)

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### Fiscal Analysis

**State Effect:** The fiscal 1999 capital budget includes \$12 million for the Rental Housing Production Program, a \$3 million increase over the fiscal 1998 appropriation. DHCD advises that financing for such conversion projects would probably require about \$1 million per project. No funds are included in the fiscal 1999 operating budget for increased operating expenses. Special fund expenditures could increase by an estimated \$34,220 in fiscal 1999. This estimate reflects the cost of one temporary contractual position (grade 15, step 0) to help develop regulations, establish operating procedures, and underwrite loans. It includes a salary, fringe benefits, and minor operating costs.

Salaries and Fringe Benefits	\$33,695
Operating Expenses	<u>525</u>
<b>Total FY 1999 State Expenditures</b>	<b>\$34,220</b>

DHCD estimates similar costs in fiscal 2000 based on continued capital funding of office and commercial space conversions. Legislative Services advises that the need for additional personnel in future years depends largely on continued capital funding of the program. In addition to the position discussed above, eventually an asset manager could be needed depending on the size of the portfolio of office and commercial space conversion loans.

To the extent that the conversions spur employment and economic development beyond that which would occur absent this bill, State tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Effect:** To the extent that there would be local participation in office and commercial space conversions, local expenditures could increase in jurisdictions where the projects occur. At the same time, to the extent that the conversions spur employment and economic development in those jurisdictions, local tax revenues could increase.

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**Information Source(s):** Department of Housing and Community Development,  
Department of Legislative Services

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lc Revised - House Third Reader - April 3, 1998

Revised - Enrolled Bill - May 4, 1998

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