

Department of Legislative Services  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 906 (Senator Augustine)  
Education, Energy, and the Environment

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**Housing and Community Development - Conversion of Commercial Buildings  
for Residential Use - Report**

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This bill requires, by January 1, 2025, each county and Baltimore City to (1) inventory the number of vacant commercial buildings in the county or Baltimore City; (2) develop a plan for converting vacant commercial buildings in the county or Baltimore City for residential use; and (3) submit a report containing the inventory and the plan to the Department of Housing and Community Development (DHCD). Each county and Baltimore City must update the report every two years, as specified. DHCD must establish and maintain a database of vacant commercial buildings in the State that have the potential to be converted for residential use. **The bill takes effect July 1, 2024.**

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**Fiscal Summary**

**State Effect:** DHCD can handle the bill's requirements within existing resources. Revenues are not affected.

**Local Effect:** Expenditures increase for some local governments to compile the inventory of vacant commercial buildings and develop a plan for converting the vacant commercial buildings for residential use. Revenues are not directly affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** Each county and Baltimore City must update the report required under the bill every two years; the update must include (1) a new inventory of vacant commercial

buildings; (2) any changes made to the plan for converting vacant commercial buildings for residential use; and (3) details of any progress made in converting vacant commercial buildings for residential use.

### **Current Law:**

#### *Identification of Excess State Property for Affordable Housing – Generally*

The Maryland Department of Planning (MDP) must notify DHCD and specified committees of the General Assembly of any excess State real property submitted to MDP, which has not been otherwise disposed of in accordance with existing provisions of law. No later than 60 days after receiving such notification, DHCD must, in consultation with the unit of State government that controls the property, determine if the property is suitable for use or redevelopment as affordable housing. DHCD must identify a property as suitable for use or redevelopment as affordable housing if the property (1) is located in an area designated as a priority funding area; (2) does not belong to a specified category of property generally encompassing parks and conservation land; (3) is adequately sized for any type of residential use; (4) has access to public utilities; and (5) has access to feasible ingress and egress points. In addition to these factors, DHCD is authorized to consider other factors when determining the suitability of a property for use or redevelopment as affordable housing.

DHCD must compile and regularly update a list of properties it has determined are suitable for use or redevelopment as affordable housing. For each property included in the list, DHCD must (1) give notice of the determination to the unit of State government that controls the property and the State Treasurer and (2) advise the unit of the bill's requirements regarding the disposal of the listed property. The list must be made available to the public.

#### *Adaptive Reuse*

Chapters 174 and 175 of 2023 established that adaptive reuse of a property to develop affordable multifamily housing is an eligible use of the proceeds of a loan for specified housing programs administered by DHCD. DHCD must notify applicants of those programs that adaptive reuse of a property to develop affordable multifamily housing is an eligible use of loan proceeds; however, the notification requirement does not apply to loan applications for any DHCD program that does not focus on housing (including programs within the Division of Neighborhood Revitalization). This requirement applies to any program operated by DHCD that awards loans that may be used to develop affordable multifamily housing. However, if the laws or regulations governing a particular program establish more specific rules regarding the use of a loan for adaptive reuse, the more specific rules must apply.

**Local Expenditures:** While some local governments can compile the inventory of vacant commercial buildings and develop a plan for converting those buildings for residential use with existing resources, other local governments anticipate an increase in expenditures to meet the bill's requirements. For example, Baltimore City and Anne Arundel and Baltimore counties advise they can meet the bill's requirements with existing resources. However, Montgomery County advises it must hire contractors familiar with commercial real estate markets and building conversion options to develop the required vacant building inventory and create a plan for redeveloping those properties for residential use. The Maryland Association of Counties also advises that some smaller counties lack resources to compile the inventory and may need to hire third-party consultants to assist with that requirement, resulting in potentially significant costs.

While the intent of the bill may be to redevelop commercial properties for residential use, the bill does not expedite or directly require local governments to redevelop vacant commercial properties.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Baltimore City; Anne Arundel, Baltimore, and Montgomery counties; Maryland Association of Counties; Maryland-National Capital Park and Planning Commission; Department of Housing and Community Development; Department of Legislative Services

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