

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1061
Appropriations

(Delegate Moon)

Budget and Taxation

State-Owned Property - Inventory and Disposition - Housing

This bill requires, through efforts of the Maryland Department of Planning (MDP) and the Department of Housing and Community Development (DHCD), and units of State government, (1) the establishment of an inventory of all State-owned real property and its suitability for use or redevelopment for affordable housing, in whole or in part, or mixed-use development containing affordable housing, and (2) development of proposals to donate or sell excess State property for use or redevelopment for housing, in whole or in part, with a priority for use as affordable housing. The bill also requires that DHCD, by December 31, 2030, set goals for the construction of housing units on land that was owned by the State on the effective date of the bill.

Fiscal Summary

State Effect: General fund expenditures increase, beginning in FY 2026, by the amounts shown in the table below and shown and discussed in more detail in the Analysis section. Special fund revenues may increase, as discussed below.

| (in dollars) | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| SF Revenue | - | - | - | - | - |
| GF Expenditure | \$272,200 | \$204,900 | \$214,400 | \$223,600 | \$233,000 |
| Net Effect | -/(-) | -/(-) | -/(-) | -/(-) | -/(-) |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: Potentially meaningful.

Analysis

Bill Summary:

State-owned Real Property Inventory

By December 31, 2027, and every five years thereafter, each unit of State government must provide to MDP an inventory of all State-owned real property used by or under the control of the unit. The inventory must contain a description of each property and how it is used by the unit.

MDP, in consultation with DHCD and the Maryland Energy Administration (MEA), must determine the suitability of each property in the inventory for use or redevelopment for (1) affordable housing, in whole or in part, or (2) a mixed-use development containing affordable housing. MDP must specify, for each property, whether the property is appropriate for one of these uses and which use is appropriate for each property on the list, if any.

MDP must consider specified factors when determining if a property is suitable for use or redevelopment as housing (e.g., size, access to public utilities, feasible ingress and egress points), and may only determine that a property is suitable for use or redevelopment as housing if it is located in an area zoned for residential or mixed use.

By July 1, 2028, and every five years thereafter, MDP must send the inventory to the Governor and the General Assembly.

State-owned Excess Real Property

No later than 60 days after MDP has notified DHCD and specified legislative committees, pursuant to existing law, of property identified by State government units as in excess of the needs of the unit that has not been disposed of, MDP, in consultation with DHCD and MEA, must identify which relevant properties in the inventory are suitable for use or redevelopment for housing. For each property identified as suitable for use or redevelopment for housing, MDP must give notice to the unit of State government that controls the property (and advise them of the requirements described below) and the State Treasurer. The list of properties identified as suitable for use or redevelopment for housing must be made available to the public.

Donation or Sale for Housing

On receipt of notice from MDP, the unit of State government must, in consultation with MDP, develop a proposal to submit to the Board of Public Works (BPW) to donate or sell the relevant property by:

- donating or selling the property to a nonprofit organization that contracts to use or redevelop the property in whole or in part for housing, with a priority for use as affordable housing; or
- selling the property to a buyer that contracts to use or redevelop the property in whole or in part as housing, with a priority for use as affordable housing.

If a property has been determined to be suitable for more than one use, it must be offered for donation or sale in order of the above (donation or sale to a nonprofit organization for housing and sale to a buyer for housing).

If the property will be used or redeveloped, in whole or in part, for affordable housing, the unit must consider the proposed period of affordability, the number of affordable housing units created, and the viability of an offer when evaluating offers from multiple nonprofit organizations or buyers.

If, after reasonable effort, the unit is unable to identify a suitable nonprofit organization or buyer, the unit must develop a proposal to sell the property at auction.

When a property is donated or sold pursuant to a proposal, the unit must give notice of the disposition to MDP.

A unit may not propose to donate or sell a property if the donation or sale would (1) violate any covenant or applicable federal law or (2) in the opinion of the State Treasurer, adversely affect the tax-exempt status of any outstanding State bond, the proceeds of which were allocated to purchase or improve the property.

Modification of Existing Affordable Housing Provisions

The bill modifies existing provisions – that are similar to the bill’s provisions applicable to MDP determinations of suitability of excess property for use or redevelopment for housing – but which require DHCD, rather than MDP, to determine if excess property is suitable for use or redevelopment as affordable housing. The bill modifies the provisions by specifying that:

- proposals by State government units, pursuant to DHCD determinations, for donation or sale to a nonprofit organization for use or redevelopment as affordable housing can be for use or redevelopment *in whole or in part* as affordable housing, or *a mixed-use development containing affordable housing*; and
- proposals for sale to a buyer can simply be for housing (as opposed to affordable housing) or a mixed-use development containing housing.

Maryland Department of Planning – Reporting Requirements

By December 31, 2025, and each December 31 thereafter, MDP must report to the General Assembly:

- the number of proposals submitted to BPW for donation or sale of property for housing under the bill's provisions; and
- the number of properties that were donated and the number that were sold.

Goals for Construction of Housing Units

The bill requires, in uncodified language, that by December 31, 2030, DHCD set goals for the construction of housing units on land that was owned by the State on the effective date of the bill.

Current Law:

Donation or Sale of Excess State Property for Affordable Housing

Chapters 336 and 337 of 2022 require MDP to notify DHCD and specified legislative committees of property identified by State government units as in excess of the needs of the unit that has not been disposed of. DHCD must, in consultation with the State government units, (1) determine if such property is suitable for use or redevelopment as affordable housing according to specified considerations; (2) compile and regularly update a list of such properties determined to be suitable; and (3) give notice to the State government units that control the properties, and the State Treasurer.

A State government unit, in consultation with DHCD and MDP, must develop a proposal to submit to BPW to (1) donate or sell a listed property to a nonprofit organization that contracts to use or redevelop the property as affordable housing or (2) sell the property to a buyer that contracts to use or redevelop the property for affordable housing. If, after reasonable effort, the unit is unable to identify a suitable nonprofit organization or buyer, the unit must develop a proposal to sell the property at auction. By December 31 of each year, DHCD must report to the General Assembly (1) the number of proposals submitted to BPW and (2) the number of properties donated and the number sold.

Maryland Department of Planning

State-owned Property

MDP must (1) be a repository and clearinghouse for information about real property available for public use and (2) correlate information concerning real property owned by

HB 1061/ Page 4

the State or any subdivision of the State. MDP must maintain a current, updated list of real property owned by the State or any political subdivision of the State. The list must include pertinent details concerning size, facilities, and value. A copy of the list and any related information must be provided to any State agency and the General Assembly upon request.

Excess Real Property – Notification and Reporting

Each unit of State government must notify MDP in writing of any real property that is in excess of the needs of the unit, or any substantial change to any real property owned by the State. MDP must (1) study the proper disposition of the property; (2) determine whether any local government or unit of the State government is interested in the property; and (3) make an appropriate recommendation to the using unit of the State government and to BPW. As mentioned above, Chapters 336 and 337 require MDP to notify DHCD and specified legislative committees of such property that has not been disposed of.

Transfers of State Property

In general, any real or personal property owned by the State, or a unit of State government may be sold, leased, transferred, exchanged, granted, or otherwise disposed of to (1) any person, the federal government or any of its units, or any unit of State government for consideration that BPW deems adequate or (2) any county or municipal corporation in the State, subject to conditions imposed by BPW.

If BPW has declared property surplus, (1) BPW must sell the property to the federal government, a local government, or a unit of federal or local government for \$1.00, if the government or unit has indicated its interest in acquiring the land and a specified restrictive covenant is placed on the deed of transfer and (2) pursuant to Chapters 336 and 337, BPW must donate or sell property determined by DHCD to be suitable for use or redevelopment as affordable housing.

Generally, if cash is received as consideration for the disposition of a capital asset of the State or any unit of the State government, the cash must be applied to the State Annuity Bond Fund (ABF) Account for the payment of the principal of and interest on the bonded indebtedness of the State; however, if a capital asset was originally purchased with special funds, the cash must be applied to the special fund.

State Fiscal Effect: General fund expenditures increase, beginning in fiscal 2026, by the amounts shown in **Exhibit 1**. Special fund revenues may increase, as discussed below.

Exhibit 1
Expenditures, and Potential Revenues, Under the Bill

| <u>Agency</u> | <u>Description</u> | <u>Type</u> | <u>FY 2026</u> | <u>FY 2027</u> | <u>FY 2028</u> | <u>FY 2029</u> | <u>FY 2030</u> |
|---------------|----------------------|-------------------------|------------------|------------------|------------------|------------------|------------------|
| MDP | Additional Staff | GF Expenditures | \$86,109 | \$102,464 | \$107,012 | \$111,782 | \$116,549 |
| | | <i>GF Pos's (New)</i> | <i>1.0</i> | | | | |
| | Software Development | GF Expenditures | 100,000 | | | | |
| DGS | Additional Staff | GF Expenditures | 86,109 | 102,464 | 107,012 | 111,782 | 116,549 |
| | | <i>GF Pos's (New)</i> | <i>1.0</i> | | | | |
| Multiple | Sale of Property | SF Revenues | - | - | - | - | - |
| | | <i>GF Net Effect</i> | <i>(272,218)</i> | <i>(204,928)</i> | <i>(214,024)</i> | <i>(223,564)</i> | <i>(233,098)</i> |
| | | <i>SF Net Effect</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| | | State Net Effect | -/(-) | -/(-) | -/(-) | -/(-) | -/(-) |

DGS: Department of General Services
GF: general fund
MDP: Maryland Department of Planning
Pos's: positions
SF: special fund
-: indeterminate increase
-/(-): indeterminate increase/decrease

Source: Department of Legislative Services

The estimate of expenditures in Exhibit 1 is based on the following assumptions:

- **Additional staff are needed within MDP and the Department of General Services (DGS)** – MDP currently serves as a repository for State-owned property information but accomplishes that function through analysis of State Department of Assessments and Taxation information that does not contain the level of detail needed to implement the bill. In order to implement the bill and gather and evaluate information received directly from State government units, the department needs to hire a geographic information systems analyst/database coordinator to manage a new database of the received property information and coordinate with State agencies to collect and maintain the information. In addition, DGS' Office of Real Estate, which handles disposal of property for most State agencies, does not have sufficient existing personnel to manage disposition (donation or sale) of State property pursuant to the bill and needs an additional procurement officer under the bill's expansion of efforts to use or redevelop excess State property, for purposes beyond affordable housing, for housing and mixed-use development more broadly (but still with a priority for use as affordable housing).

- **MDP also requires contractual services** – MDP needs to hire a consultant to assist in developing the database of State property information used for evaluation of properties for use or redevelopment as housing.
- **Efforts begin in fiscal 2026** – Despite the deadlines under the bill for State government units to provide MDP an inventory of their property, by December 31, 2027, and for MDP to send the consolidated inventory it develops, to the Governor and General Assembly, by July 1, 2028, this analysis assumes MDP's efforts to develop the inventory and DGS' management of disposition of State property under the bill's expansion of efforts to use or redevelop excess property for housing begin in fiscal 2026 because (1) the bill's provisions governing disposition of excess property take effect with the bill and (2) MDP indicates there are a significant number of State-owned properties that will need to be included in the inventory and all of the time between the bill's effective date and the December 31, 2027 and July 1, 2028 deadlines will be needed to coordinate with agencies and identify and evaluate the properties for use as affordable housing, in whole or in part, or mixed-use development containing affordable housing.

DHCD can implement its responsibilities under the bill with existing resources, including the bill's modifications to existing provisions governing the department's evaluation of excess property for suitability for use or redevelopment as affordable housing. This analysis assumes that references in the bill to MEA's involvement in determinations of suitability of State-owned property for use or redevelopment as housing or mixed-use development are unintended.

This analysis assumes other State agencies can provide MDP the required inventory of their State-owned property and handle development of proposals under the bill (in coordination with DGS in most cases) with existing resources, assuming the agencies only need to provide information to MDP for the inventory that they already possess or that can be compiled internally in time to meet the December 31, 2027, deadline.

To the extent that efforts under the bill result in the sale of State land for housing or mixed-use development, that is not otherwise sold in the absence of the bill, State special fund revenues increase. The extent of any increase, however, cannot be reliably estimated. This analysis assumes that any such revenues are deposited in the ABF (see Current Law) or another special fund (such as the Transportation Trust Fund).

Small Business Effect: Small businesses involved in housing or mixed-use development may meaningfully benefit to the extent the bill increases disposition of State land for housing or mixed-use development.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Municipal League; Maryland State Treasurer's Office; Judiciary (Administrative Office of the Courts); Baltimore City Community College; University System of Maryland; Morgan State University; Department of General Services; Department of Housing and Community Development; Department of Natural Resources; Maryland Department of Planning; Department of Public Safety and Correctional Services; Board of Public Works; Maryland Department of Transportation; Maryland Energy Administration; Department of Legislative Services

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