HB 503

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 503 (The Speaker, *et al.*) (By Request - Administration)
Environment and Transportation

Land Use - Regional Housing Infrastructure Gap (Housing for Jobs Act)

This Administration bill (1) requires the Department of Housing and Community Development (DHCD) and the Maryland Department of Planning (MDP) to establish regional and local housing infrastructure gaps that indicate the number of housing units a region, and the jurisdictions within it, need to add to reach a regional jobs-to-housing ratio of 1.5 or less; (2) requires expeditious approval, and prohibits denial without sufficient justification, of housing development by local jurisdictions with a local housing infrastructure gap; (3) authorizes court action for a local jurisdiction's noncompliance; and (4) allows for affordable housing units and housing units within three-quarters of a mile of a rail station to count as 1.5 units for purposes of reducing a jurisdiction's local housing infrastructure gap. **The bill takes effect January 1, 2026**.

Fiscal Summary

State Effect: The bill can be implemented by DHCD and MDP with existing resources. State revenues are expected to increase (indirectly), beginning as early as FY 2026, as discussed below.

Local Effect: Local government revenues and expenditures are expected to increase in certain jurisdictions, beginning in FY 2026, as discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary:

Housing Infrastructure Gap

The bill requires DHCD and MDP to publish by January 1 each year for each of six regions of the State (shown below):

- the total number of housing units;
- the total number of jobs by place of work;
- the jobs-to-housing ratio;
- the number of housing units needed to be produced for the region to reach a jobs-to-housing ratio of 1.5 or less; and
- the regional housing infrastructure gap (the difference between the existing number of housing units and the number of housing units needed for the region to reach a jobs-to-housing ratio of 1.5 or less).

DHCD and MDP must apportion the regional housing infrastructure gap of each region to each county and municipality in the region based on the share of regional jobs located in the county or municipality, establishing a local housing infrastructure gap for each local jurisdiction.

The bill designates the following regions:

- **Baltimore** – Anne Arundel, Baltimore, Carroll, Harford, and Howard counties, and Baltimore City;
- **Washington Suburban** – Frederick, Montgomery, and Prince George's counties;
- **Southern Maryland** – Calvert, Charles, and St. Mary's counties;
- **Western Maryland** – Allegany, Garrett, and Washington counties;
- **Upper Eastern Shore** – Caroline, Cecil, Kent, Queen Anne's, and Talbot counties; and
- **Lower Eastern Shore** – Dorchester, Somerset, Wicomico, and Worcester counties.

Development Approvals When There Is a Local Housing Infrastructure Gap

A local jurisdiction that has a local housing infrastructure gap:

- has an affirmative obligation to expeditiously approve a housing development project application; and

- may not deny a housing development project without a justification that (1) clearly outweighs the need for housing and (2) is supported by clear and convincing evidence.

Requiring a housing development project to wait a period of one or more years to receive a building permit is considered a denial of the project application.

In order for a local jurisdiction with a local housing infrastructure gap to deny an application, it must provide, in writing, at least one of the following justifications:

- **Public Health or Safety** – the project would have an adverse impact on the public health or safety of the residents that would live in the project, and there is no feasible method of mitigating or avoiding the impact without rendering the project financially infeasible;
- **State or Federal Law** – denial is necessary to comply with State or federal law, and there is no feasible method to comply without rendering the project financially infeasible;
- **Inadequate Water or Wastewater** – the project is located in an area with inadequate water or wastewater facilities to serve the project and there is no feasible method to serve the project;
- **Inappropriate Area** – the project is located in a heavy industrial use zone, on conservation property, or on agricultural land;
- **School Capacity** – the project is in a school attendance area (1) in which specified current or projected enrollment exceeds 100% of State rated capacity and (2) that has been determined by the local jurisdiction, based on objective criteria, to have inadequate school capacity; or
- **Noncompliance with Standards** – the project does not comply with objective written development standards and there is no feasible method to comply without rendering the development financially infeasible.

Court Action for Local Jurisdiction's Noncompliance

The bill authorizes the proponent of a housing development project to bring an action in circuit court to enforce the bill's provisions that require expeditious approval of project applications and prohibit denial of a project without sufficient justification.

If a court finds that a local jurisdiction denied a project application in violation of the bill, it must issue an order or judgment compelling the jurisdiction to comply within 90 days and may require the local jurisdiction to take action on the project or direct the jurisdiction to approve the project. The court may issue further orders if its order or judgment has not been carried out within 90 days.

Reduction of Local Housing Infrastructure Gap

For a local jurisdiction to reduce its local housing infrastructure gap, it must submit documentation to DHCD. For every 1 affordable housing unit, or housing unit within three-quarters of a mile of a rail station, 1.5 housing units may be subtracted from the local housing infrastructure gap.

Current Law:

Housing Expansion and Affordability Act of 2024

Chapter 122 of 2024 (the Housing Expansion and Affordability Act of 2024), among other things, requires local jurisdictions to allow specified densities and uses in certain zoning areas for "qualified projects" (residential construction or renovation projects that include specified amounts of affordable housing) on (1) specified property formerly owned by the State; (2) specified property currently or formerly owned by the federal government; (3) property within three-quarters of a mile of a rail station located in the State; and (4) specified land that is wholly owned by a nonprofit organization or that includes improvements owned by an entity that is controlled by a nonprofit organization.

Chapter 122 also prohibits a local jurisdiction from imposing any unreasonable limitation or requirements on a qualified project, including limitations on or requirements concerning (1) height; (2) setback; (3) bulk; (4) parking; (5) loading, dimensional, or area; or (6) similar requirements. "Unreasonable limitation or requirement" includes any limitation or requirement that amounts to a *de facto* denial by having a substantial adverse impact on (1) the viability of an affordable housing development in a qualified project; (2) the degree of affordability of affordable dwelling units in a qualified project; or (3) the allowable density or number of units of the qualified project.

Land Use – Generally

The regulation of land use in the State, through planning and zoning, is implemented by local governments, subject to applicable State law. Planning and zoning authority is delegated by the State to local governments primarily under the Land Use Article and, for certain counties, the Express Powers Act (Title 10 of the Local Government Article).

Both the Land Use Article and Express Powers Act contain the State's policy statement that (1) the orderly development and use of land and structures requires comprehensive regulations through implementation of planning and zoning controls and (2) planning and zoning controls must be implemented by local government. State law includes various provisions authorizing local governments to regulate the location, size, and use of structures through zoning regulations.

Comprehensive Plans – Housing Element and Housing Vision

Local jurisdictions are required to enact, adopt, amend, and execute a comprehensive plan (to guide the implementation of land use controls and zoning) that includes specified visions and elements. At least once every 10 years, each local jurisdiction must review its comprehensive plan and, if necessary, revise or amend the plan.

The comprehensive plan must include a housing "element" and implement a housing "vision":

- *Housing Element* – the housing element may include goals, objectives, policies, plans, and standards, and must address the need for affordable housing within the local jurisdiction, including workforce housing and low-income housing; and
- *Housing Vision* – the housing vision is that a range of housing densities, types, and sizes provides residential options for citizens of all ages and incomes.

Background: DHCD has identified preliminary regional and local housing infrastructure gaps based on 2022 data, under the bill's methodology, as shown in **Exhibit 1**. The nine jurisdictions in the Baltimore and Washington Suburban regions have a local housing infrastructure gap under DHCD's analysis. DLS notes that:

- the bill's method of determining the local housing infrastructure gap of a local jurisdiction – by apportioning the regional housing infrastructure gap to each county and municipality in the region based on the share of regional jobs located in the county or municipality – results in some jurisdictions, that themselves have a jobs-to-housing ratio below 1.5, nonetheless being apportioned a local housing infrastructure gap (a share of the collective, regional housing infrastructure gap) (*e.g.*, see Carroll, Frederick, Harford, and Prince George's counties in Exhibit 1); and
- DHCD's analysis does not account for the portion of the regional housing infrastructure gap in the Baltimore and Washington Suburban regions that is apportioned to municipalities in those regions.

Exhibit 1
Preliminary Regional and Local Housing Infrastructure Gaps

Region	Jobs	Housing Units	Jobs-to-Housing Ratio	Housing Units for 1.50 ratio	Regional Housing Infrastructure Gap	% Share of Regional Jobs	Local Housing Infrastructure Gap
Baltimore	**1,903,043**	**1,179,056**	**1.61**	**1,268,696**	**89,640**	**-**	-
Anne Arundel	432,915	236,486	1.83	288,610	-	23%	20,392
Baltimore	551,655	351,123	1.57	367,770	-	29%	25,985
Carroll	87,484	66,545	1.31	58,323	-	5%	4,121
Harford	137,752	105,205	1.31	91,835	-	7%	6,489
Howard	245,933	125,818	1.95	163,955	-	13%	11,584
Baltimore City	447,304	293,879	1.52	298,203	-	24%	21,070
Washington Sub.	**1,409,097**	**879,832**	**1.60**	**939,398**	**59,566**	**-**	-
Frederick	158,423	108,996	1.45	105,615	-	11%	6,697
Montgomery	741,956	406,850	1.82	494,637	-	53%	31,364
Prince George's	508,718	363,986	1.40	339,145	-	36%	21,505
Southern Md.	**175,474**	**146,484**	**1.20**	**116,983**	**0**	**-**	-
Western Md.	**140,094**	**115,495**	**1.21**	**93,396**	**0**	**-**	-
Upper East. Shore	**131,777**	**109,193**	**1.21**	**87,851**	**0**	**-**	-
Lower East. Shore	**127,406**	**127,806**	**1.00**	**84,937**	**0**	**-**	-
Statewide	**3,886,891**	**2,557,866**	**1.52**	**2,591,261**	**149,206**	**-**	-

Sources: Department of Housing and Community Development; Department of Legislative Services

State and Local Revenues: State and local revenues are expected to increase, as early as fiscal 2026, to the extent the bill increases the rate of housing construction in the counties and municipalities in the Baltimore and Washington Suburban regions, both (1) directly, through local permitting, impact, and inspection fee revenues and (2) indirectly, through State and local tax revenues.

As noted in the Administration's analysis of the economic impact on small businesses (attached further below), the Administration estimates that State tax revenues and local tax and fee revenues each increase significantly, in total, over time, if enough housing is constructed to close the regional housing infrastructure gaps in the Baltimore and Washington Suburban regions identified under the preliminary analysis in Exhibit 1. Additional analysis provided to DLS by DHCD estimates increased revenues over the initial years of the bill's implementation of (1) for the State, $5.7 million in fiscal 2026 (in which the bill is only in effect for half of the fiscal year), growing to $43.0 million by fiscal 2030 and (2) for the local jurisdictions in the Baltimore and Washington Suburban regions, $7.9 million in fiscal 2026, growing to $59.5 million in fiscal 2030. These estimates are based on:

- assumed percentage increases in housing construction under the bill, in comparison to current housing construction rates (an assumed 5% increase in fiscal 2026, growing to a 35% increase by fiscal 2030); and
- estimated average State tax revenue and local tax/fee revenue per one unit of housing built, of $7,837 and $10,838, respectively (accounting for (1) State transfer (property acquisition), sales (construction materials), and income (labor and other income) taxes; (2) local transfer and income taxes, and permitting, impact, and inspection fees; and (3) first-year increased State and local property taxes from developed properties).

DLS agrees that State and local revenues increase (directly, in the case of local permitting, impact, and inspection fees, and indirectly in the case of State and local tax revenues) to the extent the bill increases the rate of housing construction, but notes that:

- the extent to which the bill increases the rate of housing construction cannot be reliably estimated due to uncertainty regarding (1) the extent to which housing construction increases even in the absence of the bill (and, therefore, not as a result of the bill), under Chapter 122 or other State or local efforts and (2) the extent to which residential housing development project applications are currently being denied or not submitted because of local restrictions; and
- the extent to which the State and local tax revenue increases estimated by the Administration represent net increases in State and local tax revenues due to new economic activity (*e.g.*, real estate acquisition, labor, construction material sales) – as opposed to economic activity shifted from other areas to housing development – cannot be reliably estimated.

Local Expenditures: Based on information received from a small number of local jurisdictions, and DHCD’s analysis of which local jurisdictions have a local housing infrastructure gap under the bill (see Exhibit 1), expenditures are expected to increase in at least some local jurisdictions in the Baltimore and Washington suburban regions, beginning in fiscal 2026.

Additional Staff

Some jurisdictions may require additional staff to ensure that housing development project applications are expeditiously approved and not denied (including not made to wait more than a year for approval) without sufficient justification; however, Baltimore City, Harford County, and the Montgomery County Planning Department (within the Maryland-National Capital Park and Planning Commission) each do not anticipate the need for additional development approval staff.

Infrastructure

Infrastructure spending by local jurisdictions may increase to the extent a local jurisdiction is required to approve a housing development application that would otherwise be denied due to insufficient infrastructure capacity, in the absence of the bill. As part of a justification required for a denial of an application, a local jurisdiction may need to indicate there is no feasible method to approve a project application, but what is "feasible" is not specified in the bill. If increased/accelerated local government infrastructure spending is considered "feasible," whether by the jurisdiction or a court, the bill may result in increased/accelerated infrastructure spending. The extent of any potential infrastructure spending cannot be reliably estimated and depends in part on the infrastructure capacity of the local jurisdiction and the housing development project.

Costs of Litigation

To deny an application, a local jurisdiction must indicate a justification specified in the bill and may need to show there is no feasible method to avoid the denial. Local jurisdictions may incur costs associated with litigation brought, pursuant to the bill, by proponents of housing developments alleging a jurisdiction has denied approval for a development without sufficient justification.

Additional Information

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

Designated Cross File: SB 430 (The President, *et al.*) (By Request - Administration) - Education, Energy, and the Environment.

Information Source(s): Department of Housing and Community Development; Maryland Department of Planning; Judiciary (Administrative Office of the Courts); Baltimore City; Harford, Montgomery, Talbot, and Wicomico counties; Maryland-National Capital Park and Planning Commission; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2025
js/sdk

Analysis by: Joanne E. Tetlow and Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Land Use - Regional Housing Infrastructure Gap (Housing for Jobs Act)

BILL NUMBER: HB 503

PREPARED BY: Brad Fallon, Deputy Legislative Officer, Office of the Governor

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

___ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

_X_ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Housing for Jobs Act is anticipated to have a positive effect on small businesses by creating more opportunities for small and emerging builders and related contractors in Maryland to participate in home building. The status quo, and the risk that home construction entails, preferences large, existing builders at the expense of small and emerging developers.

Further, the construction sector remains one of the primary sectors where Maryland GDP growth is underperforming national GDP growth (6.6% nationally vs. 3.1% in Maryland). This is unsurprising given that Maryland permits 39% fewer new housing units than it did before the 2008 recession (DHCD analysis of census data). Should construction increase, these contractors can be expected to have an increased workload.

The business community also makes a strong connection between the availability of the Maryland workforce and the availability and affordability of housing. In fact, Maryland has only 33 workers available for every 100 open jobs, making it difficult for businesses to operate at full capacity or grow in our state (US Chamber of Commerce). Contributing to this is that the outmigration of Marylanders seems to be led by young Marylanders aged 17 - 34 who made up 65% of outmigration in 2022 with nearly 40,000 young Marylanders leaving the state that year alone, according to the US Census. When the Bureau of Labor Statistics surveyed populations of those who left, the top issues cited each year were housing costs and commute times.

Between 2019 and 2024, the number of houses for sale each month decreased by 59%. (DHCD analysis of Maryland Association of Realtors data). This has a direct impact on realtor businesses, land title businesses, home inspectors, and so on who are involved in the marketing and sale of residential property.

The State may be able to track the impact to small businesses by monitoring certain tax collections which can be expected to be impacted. Housing construction generates tax revenues for the State through multiple sources:

- Transfer tax on the sale of property
- Sales tax on construction materials
- Income tax on construction labor and legal, financial and insurance labor
- Property tax revenue on the completed construction

The average Maryland state tax revenue per one unit of housing built is approximately $7,837 (see excel spreadsheet analysis).

Local governments also generate tax revenue from housing construction through transfer taxes, income taxes, property taxes, and through permitting, impact and inspection fees. The average local government tax revenue per one unit of housing built is approximately $10,838 (see excel spreadsheet analysis).

If an additional 149,206 housing units were built in Maryland through the Housing for Jobs Act, that would have the following cumulative fiscal impact:

- State tax revenue: $7,837 x 149,206 = $1,169,280,804
- Local tax revenue: $10,838 x 149,206 = $1,617,114,401

If all of these units were constructed, they would be constructed incrementally over time. To estimate an annual increase in permitting activity from the Housing for Jobs Act, two data reference points were used:

- Annual permitting activity in Maryland before and after the 2008 recession. In the 9 counties impacted by the legislation, 20,020 building permits were issued annually before the ’08 crash. Today, an average of 14,203 building permits are issued.
- Similar policy in New Jersey, called the Mount Laurel Doctrine, has increased building permit activity in the state by 23%. (Research found the Mount Laurel Doctrine has produced 70,000 units since 2015, or 7,700 units per year).