

# **HB1557\_Solomon\_FAV - JS Approved.pdf**

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Position: FAV

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**THE MARYLAND HOUSE OF DELEGATES**  
ANNAPOLIS, MARYLAND 21401

**HB 1557 Testimony**  
**Procurement - Department of General Services - Real Estate Advisory**  
**Committee & Property Acquisition and Lease Requirements**  
**Senate Budget and Tax Committee**  
**April 1, 2026**

Chair Guzzone, Vice Chair Rosapepe, and Colleagues,

Thank you for the opportunity to present on HB 1557 a priority piece of legislation for the Joint Audit and Evaluation Committee (JAEC). This legislation creates a Real Estate Advisory Committee to advise the Department of General Services (DGS), the Board of Public Works (BPW), and the General Assembly on best practices for real estate management in the State. It also amends existing State Finance and Procurement Article to require that the Legislative Policy Committee (LPC) receive detailed documentation of State real estate transactions. Both primary provisions of the bill are to ensure that additional due diligence is conducted with respect to contract costs and benefits, and to ensure that these real estate transactions are in the best interest of the State.

Existing transparency measures only apply to state property purchases over \$500,000. HB 1557 would apply them to transactions on proposed leases and lease renewals with an annual value of at least \$500,000 and add additional oversight mechanisms.

Recent audits have had findings related to a variety of issues including the competitiveness of lease rates; whether related agency leases should be combined to increase purchasing power; consideration of lease versus purchase options; and related change orders and costs. This bill hopes to address many of those findings.

**What Does the Bill Do?**

The bill creates a Real Estate Advisory Committee that consists of the following:

- One member from the House, and one member from the Senate (both ex-officio);
- The Secretary of DGS or their designee;
- Six members with expertise in real estate leases and purchases, 4 appointed by DGS and 2 appointed by the General Assembly; and

- The Secretary of DGS will designate the chair of the committee, and DGS will staff the Committee along with DLS.

The Committee will provide a centralized look at State real estate and provide real estate advice from experts in the private sector. It must meet at least three times a year, and at least once to review the State's long-term real estate plan, with an annual report due October 1 each year.

### **Legislative Policy Committee Review**

The LPC can review State leases, lease renewals, and purchases to ensure that they are consistent with State law, and are the most advantageous to the State. The documentation reviewed includes multiple items that give the full scope of each project, and justification must be provided in the documents for certain key items as follows: costs or provisions outside of ordinary and regular contract terms, why there is a removal of any standard real estate contract provisions (such as the right of the State to terminate a lease), and details that justify why the project is in the best interest of the State.

The LPC must also receive the following:

- Full cost-benefit analyses for each project, including a separate analysis for renovation costs only;
- A complete view of all contract options including lease vs. buy, lease consolidation, rent escalation rates, etc.
- Certification that full funding is available for any renovations; and
- Justification for each project's construction costs that consider the reasonableness and competitiveness of each item; and
- Any other item the LPC deems necessary for review.

The LPC is already required to receive documentation before a project may be approved, and this legislation builds on that already existing process set out in statute without altering the current BPW approval process.

In closing, HB 1557 is intended to increase transparency and best practices to address multiple issues and repeat findings in recent audits, and to ensure leases, lease renewals, and purchases are in the best interest of the State.

HB 1557 passed the House 119-12.

**Thank you for your consideration and I urge a favorable report for HB 1557.**

# **HB 1557 - Real Estate Advisory and Reporting - Sen**

Uploaded by: John Woolums

Position: INFO

***HB 1557 - Procurement - Real Estate Advisory Committee and Property Acquisition and Lease Requirements***

**Position:** Letter of Concern

**Committee:** Senate Budget and Taxation Committee

**Date:** April 1, 2026

**From:** John R. Woolums, Esq.

The Department of General Services (DGS) is providing this Letter of Concern for the Committee's consideration of HB 1557, as amended.

As introduced, House Bill 1557 proposed to establish an independent Real Estate Advisory Committee (Advisory Committee) within DGS to conduct reviews and make recommendations regarding real estate transactions. The bill would have required that DGS recommendations to the Board of Public Works (BPW) be accompanied by the recommendations of the Advisory Committee. While DGS appreciates the bill's intent to expand the state's access to real estate expertise, we requested that the bill be amended to clarify the committee's role as an advisory body that provides policy recommendations but does not have authority over operational decisions.

DGS greatly appreciates the amendments adopted by the House Government, Labor, and Elections Committee to address these concerns. As amended, the bill would establish an Advisory Committee with a representative of the House and Senate, and members appointed by the Secretary of DGS, to meet at least three times annually to advise the Department, BPW, and General Assembly on industry trends and best practices.

However, DGS has serious concerns regarding the fiscal and policy impacts of other amendments to HB 1557; amendments that would mandate very detailed and labor-intensive cost-benefit analysis and reporting requirements for nearly all real estate transactions. HB 1557 would prohibit the BPW from approving a lease totaling at least \$500,000 annually unless the BPW has provided to the Legislative Policy Committee the following information and justifications.

- Real Estate Term Information: 1. real estate terms of time or cost in excess of ordinary and regular state contract terms; 2. rent escalation rates in excess of market rates; 3. construction costs and costs for any other part of the real estate transaction, with consideration for the reasonableness and cost competitiveness of each item; 4. removal of any standard real estate provisions, including the right to terminate the lease or

transaction; and 5. why the transaction is in the best interest of the State. Construction cost information is not typically available at the time of securing a lease. Construction drawings are typically developed after BPW approval through the design phase. Landlords generally are not willing to pay for the cost of design without BPW approval of the lease, since construction costs are included in rent.

- Cost-Benefit Analysis (CBA): A cost-benefit analysis of the planned acquisition or lease that includes comparing similar or comparable properties and purchase options, including a comparison of lease options with purchase options, lease consolidation options and, if relevant, an analysis of state agency parking needs and costs. Expanding the CBA requirement to include all leases, including those the state already occupies, is resource-intensive. DGS typically processes 30 renewal leases and 10 new leases each year. The cost-benefit analysis process is labor-intensive and requires the collection of data from multiple parties, verification of the data, constructing the cost-benefit analysis (CBA) model, financial analysis, and documenting the findings in a memorandum.
- Renovation Cost Analysis, distinct from the overall acquisition or lease cost-benefit analysis, including: 1. a justification for noncompetitive procurement of goods and services; and 2. a demonstration that full funding is available for all renovations; if applicable, landlord payment documentation, including: 1. total payments made to the landlord to date; 2. prior lease payments; 3. tax credits or other state benefits granted to the landlord; and 4. tax credits or other state benefits for the location or the real estate transaction.
- Any other information the Legislative Policy Committee may need to complete their review. The Department requests certainty of the information to be provided in order to secure BPW approval.
- As amended, this bill would also impose the 45-day LPC review period on all leases over \$500,000. DGS is concerned that this lengthy time period could delay the efficient administration of new and renewed leases, which can be time-sensitive negotiations.

The State's commercial real estate portfolio is nearing approximately 6.5 million square feet of space, and the current staff is unable to take on additional workloads. If enacted, HB 1557 would require at least one additional administrator to be responsible for completing the required cost-benefit analyses and renovation cost analyses.

HB 1557 would have negative effects on DGS and BPW workload, procurement timelines, and the State's ability to execute time-sensitive real estate transactions. DGS is concerned that the bill's reporting requirements would likely result in significant delays in departmental and BPW decision-making on even routine real estate transitions. Such delays would impede the State's ability to attract and secure agreements from property owners to do business with the State.

Fortunately, several existing statutory and regulatory processes already provide a balance of structured oversight and streamlined procedures for different types of real estate decisions. For example:

- State law already requires DGS to obtain 2 independent appraisals for acquisitions, and to provide notification for acquisitions of \$500,000 or greater to the legislature, with the option for the Legislative Policy Committee to request a cost-benefit analysis (SFP §10-305). Final decisions are also contingent on a related BPW Advisory 2005-3 and verification that the funds have already been appropriated in the budget.
- State regulations appropriately authorize a streamlined procedure for routine decisions such as the renewal of leases without a competitive procurement (COMAR 21.05.05.02 (D)). In addition, sole-source renewal leases are permitted under COMAR.

Again, DGS agrees that there is merit in considering the proposal to create an Advisory Committee. State real estate procurements require a structured, transparent, and competitive process, and DGS is committed to upholding these standards.

DGS respectfully requests that the Committee consider this information during its deliberations on House Bill 1557.

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