



## Senate Bill 906

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

MACo Position: **SUPPORT**

To: Environment & Transportation Committee

**WITH AMENDMENTS**

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The Maryland Association of Counties (MACo) **SUPPORTS SB 906 WITH AMENDMENTS**. This bill would require counties to inventory vacant commercial properties and then develop a plan for converting those properties to residential use. Counties believe the language as introduced is too broad and costly, but have multiple suggestions to refine the idea to enhance effectiveness and viability.

Vacancy inventories and adaptive reuse (i.e. the conversion of commercial property to mixed-use/residential) are two major issues that counties have been discussing at great length leading up to the 2024 legislative session. County leaders spent several months assessing the viability of including either of these policy prescriptions as a component within MACo's 2024 housing package, but ultimately decided against it due to the significant fiscal and workforce constraints associated with both. Counties are supportive of these concepts and individually have begun taking action where appropriate.

MACo offers the following outline of challenges local leaders see with the legislation as drafted, as well as possible paths forward to reach the intended outcome:

#### **Challenges with Vacancy Inventories and Adaptive Reuse:**

- **Project Nuances & Variability** - There are many factors that impact viability of an adaptive reuse project, and no two projects are alike. The primary determining factor for if property is a candidate for adaptive reuse is the age of the structure. Buildings constructed prior to roughly the 1950s are much easier to convert due to their layout and pre-existing infrastructure. Roughly post-1950s structures can be more difficult and likely less cost effective to convert. Additionally, in newer buildings, there are concerns around access to natural light and the impacts of no/low natural light on human health.
- **Unnecessarily Broad Scope** - The scope of analysis in this bill is greater than what would necessarily be helpful to assess prime candidates for adaptive reuse. The current language suggests that counties are to identify vacant commercial buildings and then develop plans to convert these structures. Depending on the community, there is likely to be a significant percentage of structures that are simply not viable for conversion.

- **Overly Burdensome Administrative Load** - While a handful of the larger counties are experimenting with vacancy inventories, in most jurisdictions, this type of inventory and analysis would represent an expense outside the bounds of departmental budgeting and staff capacity. This would either require a significant increase in staffing (in an environment where departments are already struggling to find personnel) or the use of consultants, which would add a significant fiscal burden to already limited budgets.
- **Other Factors Outside of County Control** - This bill does not consider other factors or stakeholders which may impact a project, including developers, feelings of property owners, proximity to schools, municipalities, costs, project scopes, construction and administration workforce, material availability, etc.

### **Possible Paths Forward:**

- Establish a state program to fund the costs associated with conducting a bi-yearly vacancy inventory and to incentivize adaptive reuse.
- Require the Maryland Departments of Planning and Housing and Community Development to be the primary leaders in conducting a statewide vacancy inventory and adaptive reuse analysis, and in identifying incentives to entice developers to undertake adaptive reuse projects.
- Establish a “Commission on Addressing Vacancy & Adaptive Reuse Within Maryland” to bring together stakeholders with first-hand experience in these projects to identify policy prescriptions for incentivizing adaptive reuse.
- Expand the state tax credits related to adaptive reuse. The viability of these projects hinges on financing, and without state tax credits, it is hard to make the numbers work. By expanding the current offerings of state tax credits, the State can incentivize further development.

As drafted, SB 906 presents several challenges around applicability and implementation. Counties remain at the disposal of the Committee to help craft amendments and to continue the conversation around this important issue. For this reason, MACo urges the Committee to issue SB 906 a **FAVORABLE WITH AMENDMENTS** report.