

Economic Impact Statement

Montgomery County, Maryland

Bill 18-24 Housing Policy – Standards and Procedures – Amendments

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 18-24 would have a positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. By eliminating the requirement for the Housing Opportunities Commission (HOC) to issue a public notice and hold public hearings for proposed affordable housing developments, the Bill would streamline the development process for HOC affordable housing projects in the County. OLO is unable to determine if this change helps to increase the local supply of affordable housing. However, if it does, certain residents likely would benefit from lower housing costs and other economic benefits of having secure, affordable housing. Also, the Bill may provide economic gains to private entities that partner with HOC on these projects.

It should also be noted that the Bill would improve the ease of doing business in the County, particularly in the area of housing development, which could improve the County’s reputation as a “friendly business environment.”

BACKGROUND AND PURPOSE OF BILL 18-24

The purpose of Bill 18-24 is to eliminate HOC’s current requirement to issue a public notice and hold public hearings for proposed affordable housing developments.¹ By eliminating this requirement, the Bill aims to streamline the development process for affordable housing projects and increase the supply of affordable housing locally.

HOC is a public housing agency that provides affordable housing and supportive services for low- to moderate-income families in Montgomery County. Established in 1974, HOC is authorized to administer federal, state, County, and private affordable housing programs. The Commission may own, lease, and operate housing, provide for the construction or renovation of housing, and obtain funding.²

Generally, HOC must hold a public hearing on any affordable housing it proposes and report in writing the findings and conclusions from the hearing. At least 15 days before the hearing, HOC must give notice of the hearing by a display advertisement in two newspapers of general circulation in Montgomery County.³

Bill 18-24 mirrors recent legislation passed by the Maryland General Assembly, House Bill 424 - Montgomery County – Housing Opportunities Commission – Alterations, that remove the additional requirement for public hearing

¹ Memorandum from Ludeen McCartney-Green, Legislative Attorney to County Council. Bill 18-24: Housing Policy – Standards and Procedures – Amendments. September 17, 2024.

https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2842_1_25810_Bill_18-2024_Introduction_20240917.pdf

² House Bill 424 - Montgomery County – Housing Opportunities Commission – Alterations. Effective October 1, 2024. As Cited in Memorandum from Ludeen McCartney-Green. <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/HB0424>

³ Ibid

notices related to affordable housing.⁴ Specifically, the Bill would redefine “agency” to exclude HOC. However, the Bill would maintain the requirement for the Department of Housing and Community Affairs and any other governmental entity to provide notice and hearing for affordable housing projects.⁵

The Council introduced Bill 18-24 on September 17, 2024.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 18-24 on residents and private organizations in terms of the Council’s priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁶

For sources of information, this analysis relies on materials included in the Introduction Staff Report for the Bill and sources cited below. OLO does not use formal methodologies or make any assumptions in this analysis.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 18-24 are the following:

- Regulatory costs;
- Development process timeline; and
- Total number of affordable housing units.

IMPACTS

WORKFORCE ■ TAXATION POLICY ■ PROPERTY VALUES ■ INCOMES ■ OPERATING COSTS ■ PRIVATE SECTOR CAPITAL INVESTMENT ■ ECONOMIC DEVELOPMENT ■ COMPETITIVENESS

Residents

OLO anticipates that Bill 18-24 would have a positive impact on certain residents in the County in terms of the Council’s priority economic indicators.

The County faces an affordable housing crisis. In its five-year strategic plan, the HOC projects that demand for affordable housing in the County will continue to grow due to population growth, aging population, increasing number of low-income, non-White residents, housing costs rising faster than real income, and other factors.⁷ Yet, the County has not built enough affordable homes to keep up with rising demand.⁸

⁴ Ibid

⁵ Ibid

⁶ Montgomery County Code, Sec. 2-81B.

⁷ Housing Opportunities Commission, “HOC Five-Year Strategic Plan 2024-2029.”

⁸ Montgomery Planning, “Montgomery County Housing Needs Assessment.” On inaccuracies in the Census data used to measure construction of housing, see Carrizosa, “Housing Units Authorized for Construction by Permit in Montgomery County.”

The U.S. Department of Housing and Urban Development (HUD) has identified regulatory and zoning procedures at the local government level as barriers to increasing the supply of affordable housing.⁹ Among the negative impacts of these barriers are delaying development timelines and increasing costs.¹⁰

By eliminating the requirement for HOC to issue a public notice and hold public hearings for proposed affordable housing developments, Bill 18-24 would streamline the development process for HOC affordable housing projects in the County. If the Bill results in significant decreases in the development timeline, it could decrease compliance or construction costs or increase the local supply of affordable housing. However, OLO is unable to determine the likelihood that the Bill would have these impacts.

If the Bill increases the supply of affordable housing, the policy change would benefit low-income residents who secure the additional affordable housing. These residents likely would experience lower housing costs than they would if the Bill were not enacted. They may also avoid certain costs associated with housing insecurity, which can include wage and employment loss.¹¹ Holding all else equal, these impacts would increase the household incomes of affected residents.

Beyond this potential impact, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 18-24 may have a positive impact on certain private organizations in the County in terms of the Council's priority economic indicators.

While the Bill may reduce certain costs for HOC, it is a "quasi-governmental organization," not a private organization.¹² However, HOC frequently partners with businesses in affordable housing development projects. If the Bill reduces costs, some of the savings may be passed on to these businesses. Also, if affordable housing projects are stalled without the Bill, businesses may forgo potential income opportunities.

It should also be noted that streamlining the development process may improve the County's reputation as a "friendly business environment" for housing development.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Net Impact

OLO anticipates that Bill 18-24 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By eliminating the requirement for HOC to issue a public notice and hold public hearings for proposed affordable housing developments, the Bill would streamline the development process

⁹ "Eliminating Regulatory Barriers to Affordable Housing: Federal, State, Local, and Tribal Opportunities."

¹⁰ Ibid.

¹¹ Desmond and Gershenson, "Housing and Employment Insecurity among the Working Poor."

¹² "About HOC – Housing Opportunities Commission."

for HOC affordable housing projects in the County. OLO is unable to determine if this change helps to increase the local supply of affordable housing. However, if it does, certain residents likely would benefit from lower housing costs and other economic benefits of having secure, affordable housing. Also, the Bill may provide economic gains to private entities that partner with HOC on these projects.

It should also be noted that the Bill would improve the ease of doing business in the County, particularly in the area of housing development, which could improve the County’s reputation as a “friendly business environment.”

DISCUSSION ITEMS

Not applicable

WORKS CITED

“About HOC – Housing Opportunities Commission.” Accessed October 8, 2024. <https://www.hocmc.org/about-us/about-hoc/>.

Carrizosa, Natalia. “Housing Units Authorized for Construction by Permit in Montgomery County.” Office of Legislative Oversight, Montgomery County Council, July 11, 2024. <https://www.montgomerycountymd.gov/OLO/Reports/CurrentOLOReports.html>.

Desmond, Matthew, and Carl Gershenson. “Housing and Employment Insecurity among the Working Poor.” *Social Problems* 63, no. 1 (February 1, 2016): 46–67. <https://doi.org/10.1093/socpro/spv025>.

“Eliminating Regulatory Barriers to Affordable Housing: Federal, State, Local, and Tribal Opportunities,” n.d.

Housing Opportunities Commission. “HOC Five-Year Strategic Plan 2024-2029.” Accessed October 8, 2024. <https://www.hocmc.org/about-us/strategic-plan/>.

Montgomery County Code. Sec. 2-81B, Economic Impact Statements (n.d.). https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894.

Montgomery County Council. Introduction Staff Report for Bill 18-24: Housing Policy - Standards and Procedures - Amendments, <https://apps.montgomerycountymd.gov/ccllms/BillDetailsPage?RecordId=2842&fullTextSearch=18-24>

Montgomery Planning. “Montgomery County Housing Needs Assessment,” July 2020. <https://montgomeryplanning.org/planning/housing/housing-needs-assessment/>.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to

inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

AUTHOR

Stephen Roblin (OLO) prepared this report.