

# Economic Impact Statement

Office of Legislative Oversight

## Bill 33-22

## Capital Improvements Program – Affordable Housing Feasibility Study – Required

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 33-22 would have an indeterminate impact on economic conditions in the County in terms of the Council's priority indicators. The Bill would require, both, the Executive to inform the Council of the status of affordable housing colocation for specific capital projects and the Council to intervene in the evaluation of these projects at an earlier stage in the capital development process. These reforms to the legislative process could have *indirect* economic impacts if they (a) increase affordable housing colocation at County facilities and/or (b) change timeline or specifications of certain capital projects. While increasing affordable housing would benefit certain residents, there is uncertainty regarding the Bill's potential indirect impacts to certain private organizations involved in capital projects and broader economic conditions.

### BACKGROUND

The goal of Bill 33-22 is to make the process of evaluating a capital project for co-location of affordable housing and County facilities more transparent between the Executive branch and the Council. The Bill would attempt to achieve this goal by reforming the process in two ways.

First, the Bill would require the Executive to provide the Council with an analysis of the feasibility of co-locating affordable housing in a capital project *earlier* in the capital development process. Under the current law, the Office of Management and Budget (OMB) is required to provide an affordable housing assessment for each project to the Council during the transmission of the Capital Improvements Program (CIP) budget.<sup>1</sup> The Bill would require the Executive to submit an "affordable housing feasibility study" before facility planning, development of program of requirements, site selection, or land acquisition. As stated in the Bill, the study would include the following elements:

- (1) a description of the proposed capital project;
- (2) outreach efforts and stakeholder input;
- (3) the program of requirements, if developed;
- (4) potential site and environmental constraints;

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<sup>1</sup> [McCartney-Green to County Council](#), November 10, 2022.

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- (5) programmatic elements evaluated for co-location;
- (6) projected total cost of construction, including, if any, costs of co-location of affordable housing;
- (7) a statement of whether co-location is feasible; and
- (8) any other related components used for consideration to determine project feasibility.

Second, the Bill would require *earlier* Council action in the process of evaluating a capital project. In particular, the Council would be required to review and vote on whether to approve the feasibility study within thirty days. If the Council approves the study, the project will proceed in its normal course. If, however, the Council disapproves the study and determines that colocation of affordable housing is feasible, the Executive would be required to provide the Council with a new plan “where the project identified in the study includes co-location of affordable housing.”

If enacted, the change in law would take effect on July 1, 2023, after the Council approves the CIP budget for FY23.<sup>2</sup>

## 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 33-22 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.<sup>3</sup>

The reforms to the legislative process described above would have no *direct* economic impacts on residents, private organizations, or broader conditions. However, they potentially could have *indirect* economic impacts. These impacts could occur if the reforms (a) increase affordable housing co-location at County facilities and/or (b) change the timeline or specifications of certain capital projects.

In subsequent sections, OLO discusses the economic implications of these potential indirect impacts. The primary sources of information used in this analysis are materials enclosed in the Bill’s Introduction Staff Report (cited above) and a consultation with the attorney who wrote the bill.

## VARIABLES

The primary variables that would affect the indirect, economic impacts of enacting Bill 33-22 is the number of affordable housing units’ co-location at County facilities.

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<sup>2</sup> [Bill 33-22](#).

<sup>3</sup> Montgomery County Code, [Sec. 2-81B](#).

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### IMPACTS

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

#### Residents

OLO anticipates Bill 33-22 potentially could have positive, indirect impacts on certain residents in the County in terms of certain indicators prioritized by Council. If the reforms to the capital development process increase affordable housing co-location at certain County facilities, the Bill would indirectly benefit residents who attain more affordable housing than they otherwise would in the absence of the reforms. Holding all else equal, more affordable housing reduces the total amount of income required for housing.

Beyond this potential indirect 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 Bill 33-22 would have an indeterminate impact on certain private organizations in the County in terms of the Council's priority indicators. If the reforms to the capital development process increase affordable housing co-location, construction companies/developers may be indirectly benefited by affordable housing being added to a capital project. If the reforms to the capital development process change the timeline or specification of certain capital projects, the Bill could indirectly impact private organizations involved in these projects. It is uncertain, however, whether these indirect impacts would be positive or negative.

#### Net Impact

While Bill 33-22 could have positive, indirect impacts on certain residents in the County, there is uncertainty regarding the Bill's potential impacts to certain private organizations. For this reason, OLO is unable to anticipate the net economic impact of the Bill on all stakeholders and broader economic conditions in the County.

### DISCUSSION ITEMS

Not applicable

### WORKS CITED

McCartney-Green, Ludeen to County Council. [Memorandum](#). November 10, 2022.

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements](#).

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Montgomery County Council. [Bill 33-22, Capital Improvements Program – Affordable Housing Feasibility Study – Required.](#)

Introduced on November 15, 2022.

### 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.

### CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.