Montgomery Planning | Functional Planning & Policy Division

2020 County Growth Policy

Planning Board Work Session #4B

July 9, 2020

Today’s Work Session

4.16	Utilization Premium Payment
6.1	School Impact Taxes – multifamily units
6.2	School Impact Taxes – calculation factors
6.3	School Impact Taxes – credits
6.4	School Impact Taxes – surcharges on large units
6.5	Impact Tax Exemptions – Enterprise Zones
6.6	Impact Tax Exemptions – 25% affordable
6.7	Impact Tax Exemptions – net impact basis
6.8	Recordation Tax

Index of Recommendations

Chapter 6. Tax Recommendations

School Impact Taxes

School Impact Taxes Recommendations

6.1 Change the calculation of school impact taxes to include one tax rate for all multifamily units, in both low-rise and high-rise buildings, based on the student generation rate for multifamily units built since 1990.

6.2 Calculate standard school impact taxes at 100% of the cost of a student seat using School Impact Area student generation rates. Apply discount factors to incentivize growth in certain activity centers. Maintain the current 120% factor within the Agricultural Reserve Zone, except for projects with a net increase of only one housing unit, in which case a 60% factor would be applied.

6.3 Allow a school impact tax credit for any school facility improvement constructed or funded by a property owner with MCPS' agreement.

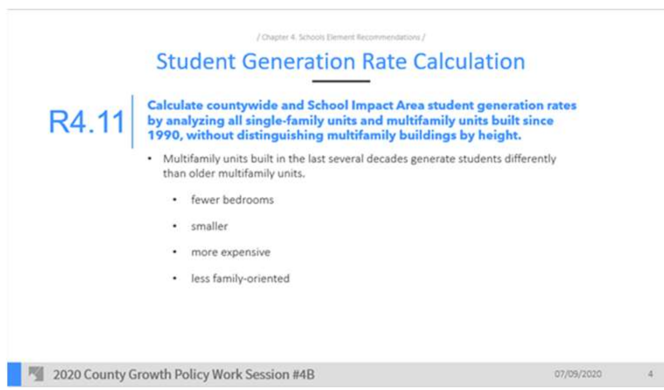
6.4 Eliminate the current impact tax surcharge on units larger than 3,500 square feet.

School Impact Taxes

R6.1

Change the calculation of school impact taxes to include one tax rate for all multifamily units, in both low-rise and high-rise buildings, based on the student generation rate for multifamily units built since 1990.

- The impact taxes currently distinguish multifamily as either high-rise (5 stories or more) or low-rise (4 stories or less).
- This recommendation is consistent with the Recommendation 4.11 pertaining to updated student generation rates.



School Impact Taxes

R6.1 Comment Summary

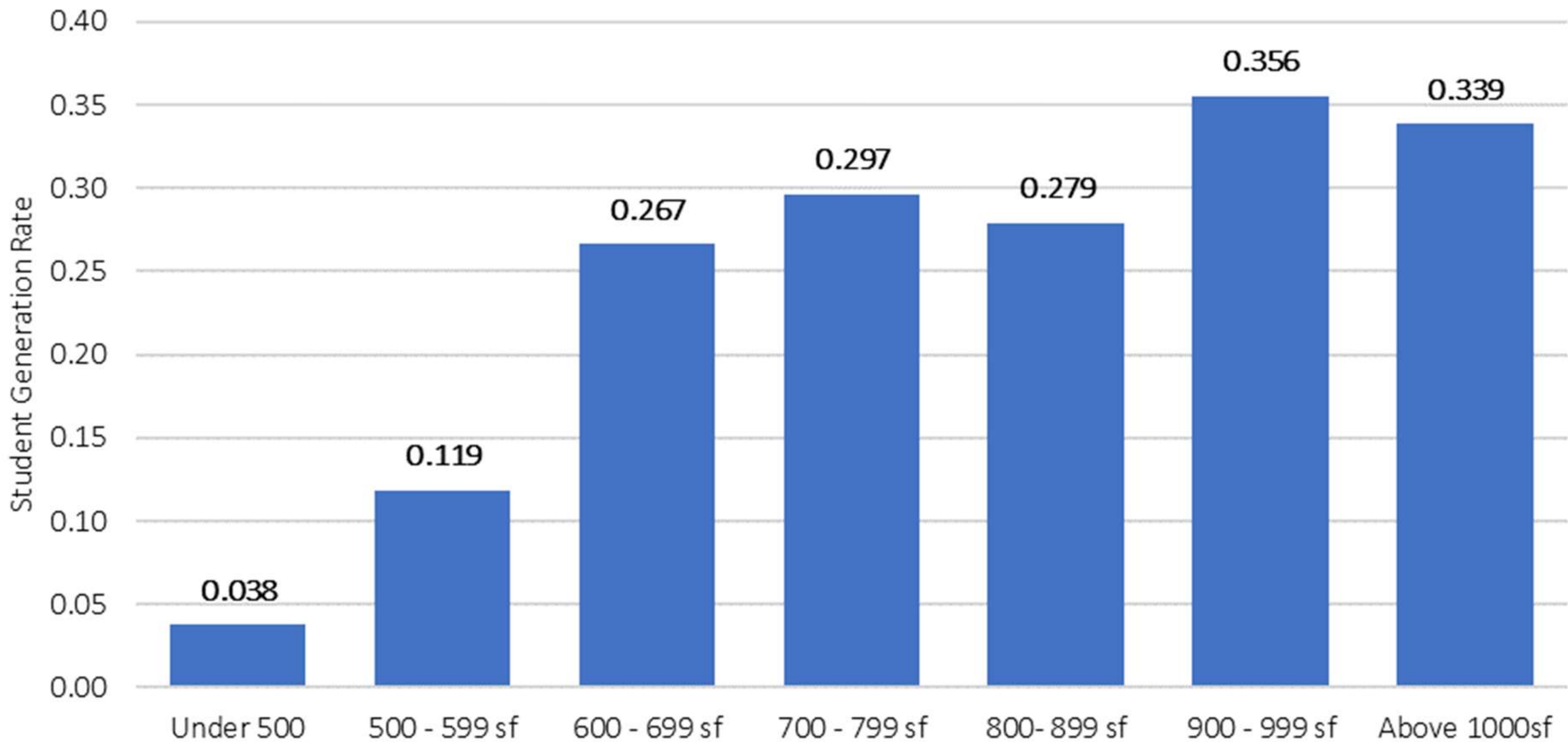
Pro	We support this recommendation.
Pro	The additional cost that has been assessed to low-rise multifamily projects under the current system constrains redevelopment opportunities for transitional sites with zoning that does not allow enough building height for a high-rise project. The elimination of this unwarranted distinction between multifamily school impact tax rates would create additional opportunities for housing in Activity Centers (especially outside of the high-density urban core areas), which is critical to meeting MWCOG's Regional Housing Targets for Montgomery County.
Con	Defer decision regarding low-rise/high-rise until 2024 as SGRs have historically been very different.
Con	The data doesn't support this conclusion. See figures in Appendix G.
Con	Continue to differentiate high- and low-rise because most of the staff's analysis shows high-rise multifamily generating new student population at ~33% of the generation rates for low-rise multifamily.

School Impact Taxes

Figure G5. Student Generation Rates by Population Density and Housing Type, 2018.

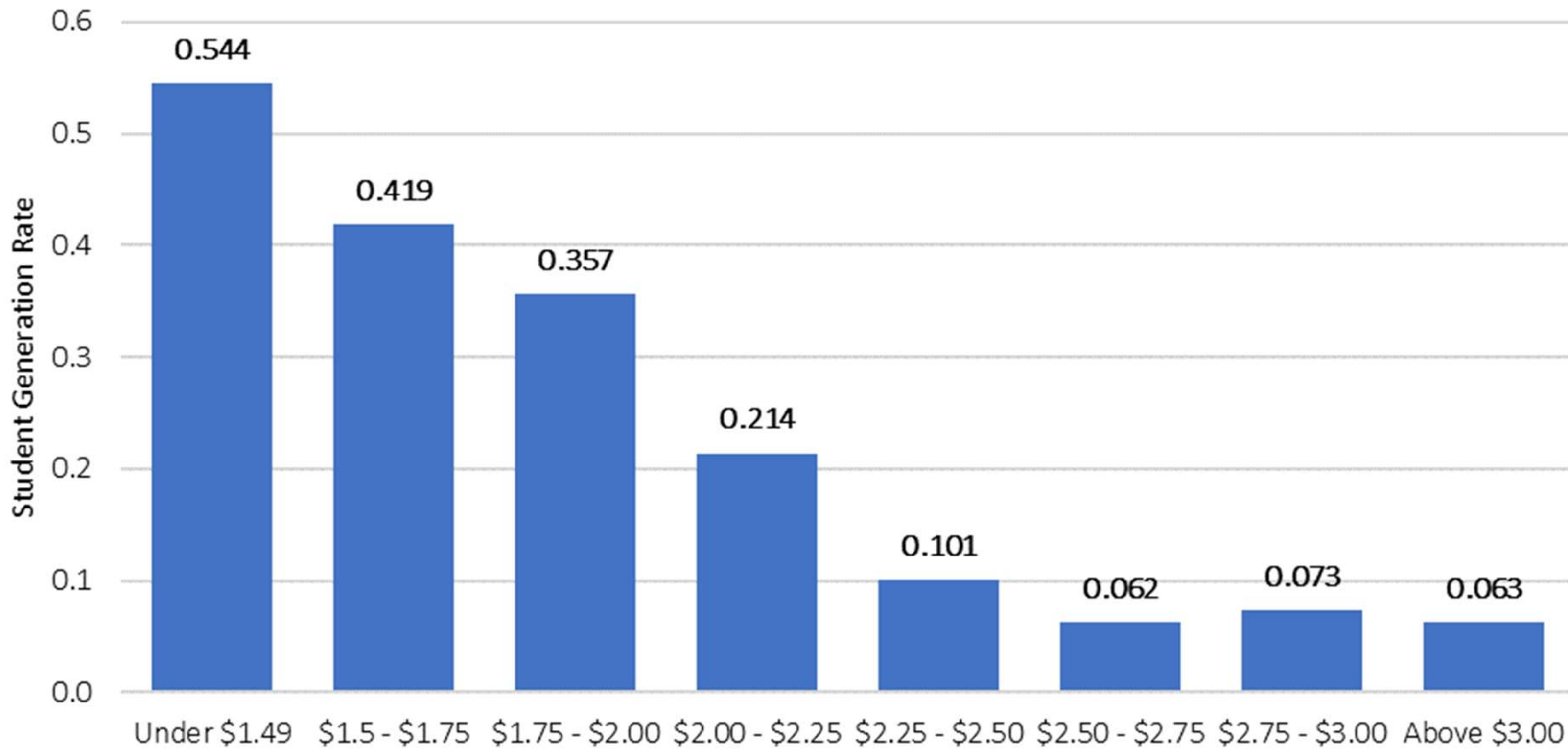
School Impact Taxes

Figure G14. Student Generation Rate by Multifamily Apartment Square Footage, 2018.



School Impact Taxes

Figure G15. Student Generation Rate for Multifamily Housing by Average Rent per Square Foot, 2018.



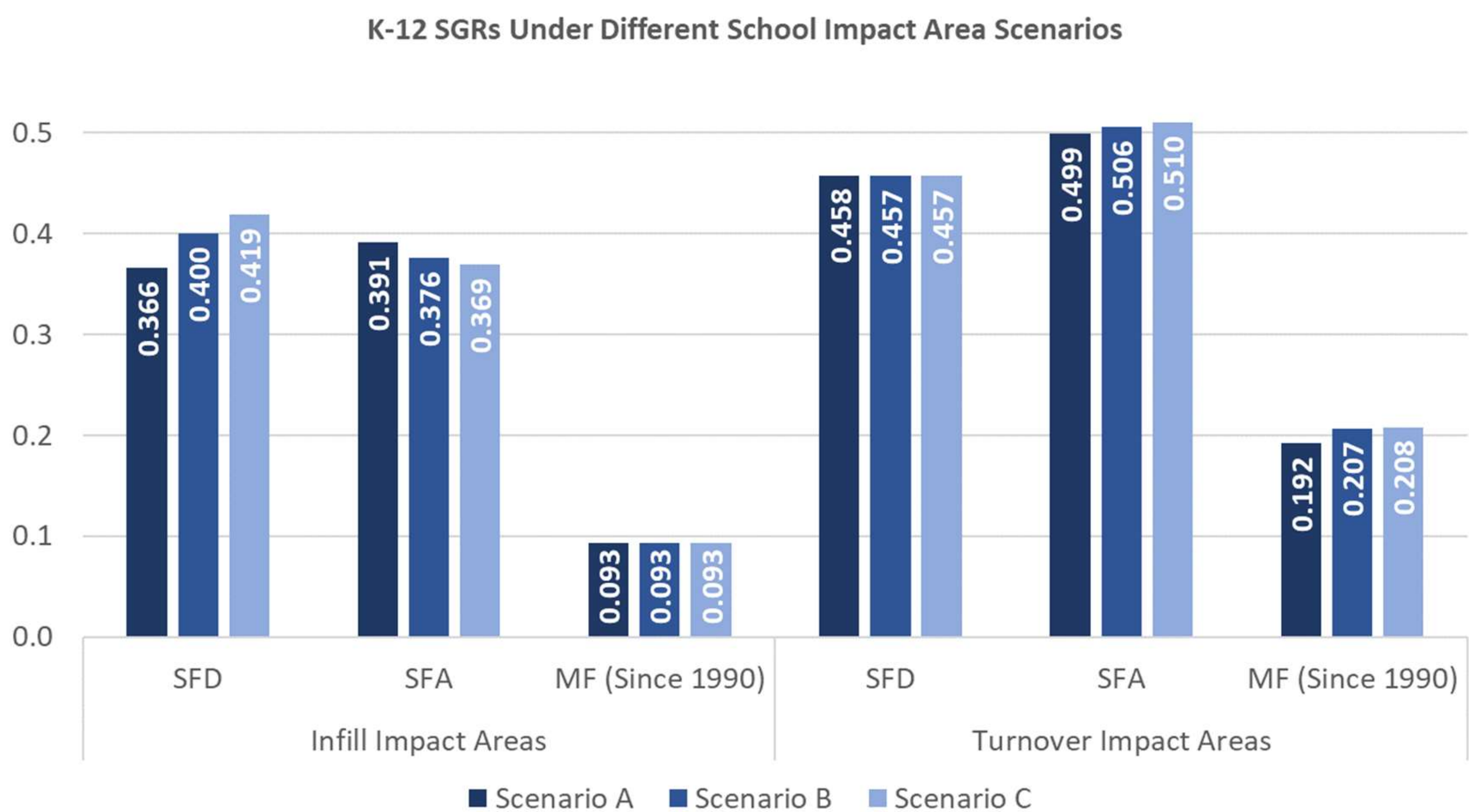
Student Generation Rate Calculation

2019 Student Generation Rates by School Impact Area

- Include rates by School Impact Area, which are based on the actual growth context
- Based on September 2019 enrollment and housing data.

		K-12 SGRs		
		Scenario A	Scenario B	Scenario C
Countywide	SFD	0.464	0.464	0.464
	SFA	0.487	0.487	0.487
	MF (Since 1990)	0.133	0.133	0.133
Infill Impact Areas	SFD	0.366	0.400	0.419
	SFA	0.391	0.376	0.369
	MF (Since 1990)	0.093	0.093	0.093
Turnover Impact Areas	SFD	0.458	0.457	0.457
	SFA	0.499	0.506	0.510
	MF (Since 1990)	0.192	0.207	0.208
Greenfield Impact Areas	SFD	0.724	0.724	0.724
	SFA	0.618	0.618	0.618
	MF (Since 1990)	0.532	0.532	0.532

Student Generation Rate Calculation



School Impact Taxes

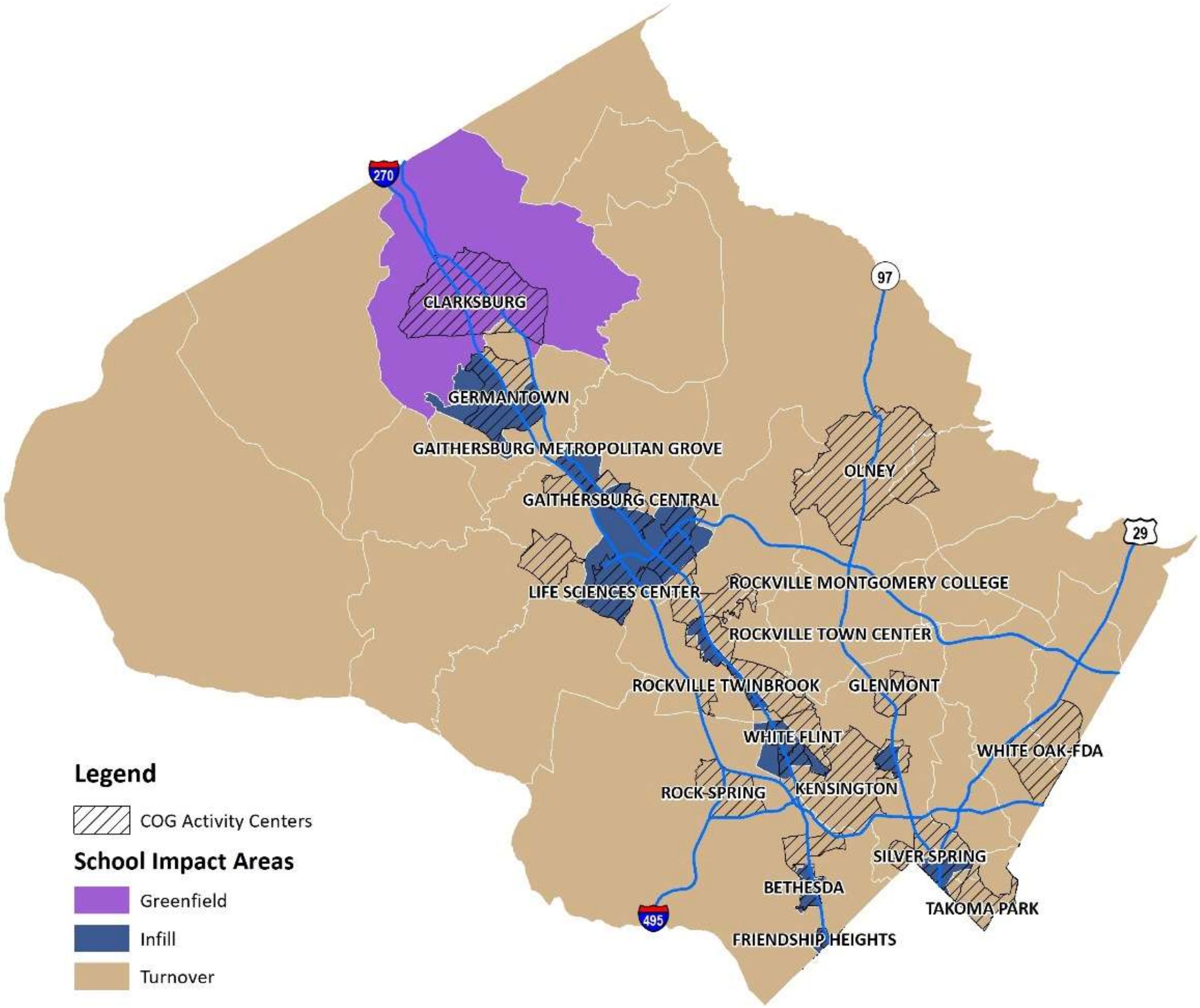
R6.2

Calculate standard school impact taxes at 100% of the cost of a student seat using School Impact Area student generation rates. Apply discount factors to incentivize growth in certain activity centers. Maintain the current 120% factor within the Agricultural Reserve Zone, except for projects with a net increase of only one housing unit, in which case a 60% factor would be applied.

	Current Factors	Proposed School Impact Tax Factors			
		Standard	Activity Center	AR Zone	AR Zone (one unit)
Greenfield Impact Areas	120%	100%	100%	120%	60%
Turnover Impact Areas	120%	100%	60%	120%	60%
Infill Impact Areas	120%	100%	60%	120%	60%

School Impact Areas and COG Activity Centers

- Applying impact tax discounts in Activity Centers will help encourage growth in those areas.
- Consistent with smart and sustainable growth principles.
- Can help reduce the cost burden in these areas by
  - increasing the housing supply generally, and
  - increasing the amount of affordable housing built
  - counter the rising housing cost burden in the county

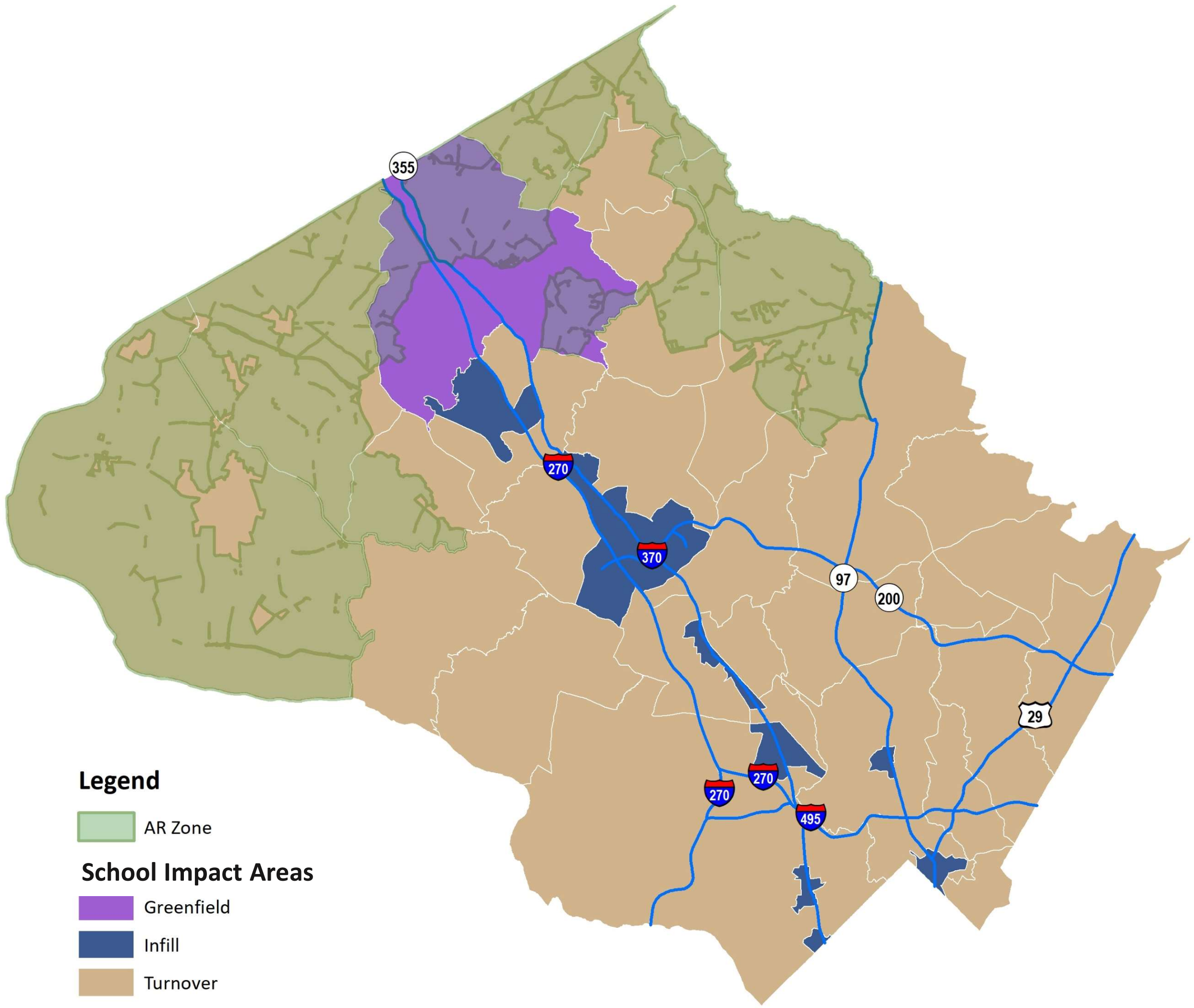


School Impact Taxes

Designation Type	Criteria	Agency	Purpose
Equity Emphasis Area	Census tracts with significant concentrations of low-income or minority population groups	Adopted by National Capital Region Transportation Planning Board (TPB)	Primary purpose is **to identify regional impacts of planned transportation projects** as whole by comparing accessibility and mobility measures for the Equity Emphasis Areas compared to the rest of the region. Additionally, **can be used to assist with considering equity in initiatives such as education, health, and green space**.
Opportunity Zone	Economically distressed community	Nominated by state, certified by Secretary of US Treasury via delegation of authority to IRS	To **spur economic development and job creation** in distressed communities by providing tax incentives for investors who invest new capital in businesses operating in one or more Qualified Opportunity Zones (QOZ).
Activity Center	Include existing urban centers, priority growth areas, traditional towns, and transit hubs	Developed with local planning officials and the Region Forward Coalition and approved by the COG Board	To **help guide land use and transportation planning decisions to concentrate growth.**

School Impact Areas and the AR Zone

- Do not want to encourage growth in these areas.
    - Development limited to one unit per 25 acres, so this zone does not see large scale development anyway.
- Apply a 60% discount factor for single unit projects to not burden the occasional property owner looking to build a single home (for farm workers or a family member).



School Impact Taxes

Proposed New School Impact Tax Rates

			Calculation Factor	Single-family Detached	Single-family Attached	Multifamily Low-Rise	Multifamily High-Rise
Current Rates			120%	$26,207	$27,598	$21,961	$6,113
Proposed Rates	Infill Impact Areas	Standard	100%	$17,186	$18,303	$4,325	
		Activity Center	60%	$10,312	$10,982	$2,595	
	Turnover Impact Areas	Standard	100%	$21,627	$23,503	$8,936	
		Activity Center	60%	$12,976	$14,102	$5,362	
		AR Zone	120%	$25,952	$28,204	$10,723	
		AR Zone (single unit)	60%	$12,976	N/A	N/A	
	Greenfield Impact Areas	Standard	100%	$33,809	$28,691	$24,898	
		Activity Center	100%	$33,809	$28,691	$24,898	
		AR Zone	120%	$40,571	$34,429	$29,878	
		AR Zone (single unit)	60%	$20,285	N/A	N/A	

School Impact Taxes

Impact Tax Scenario Comparisons

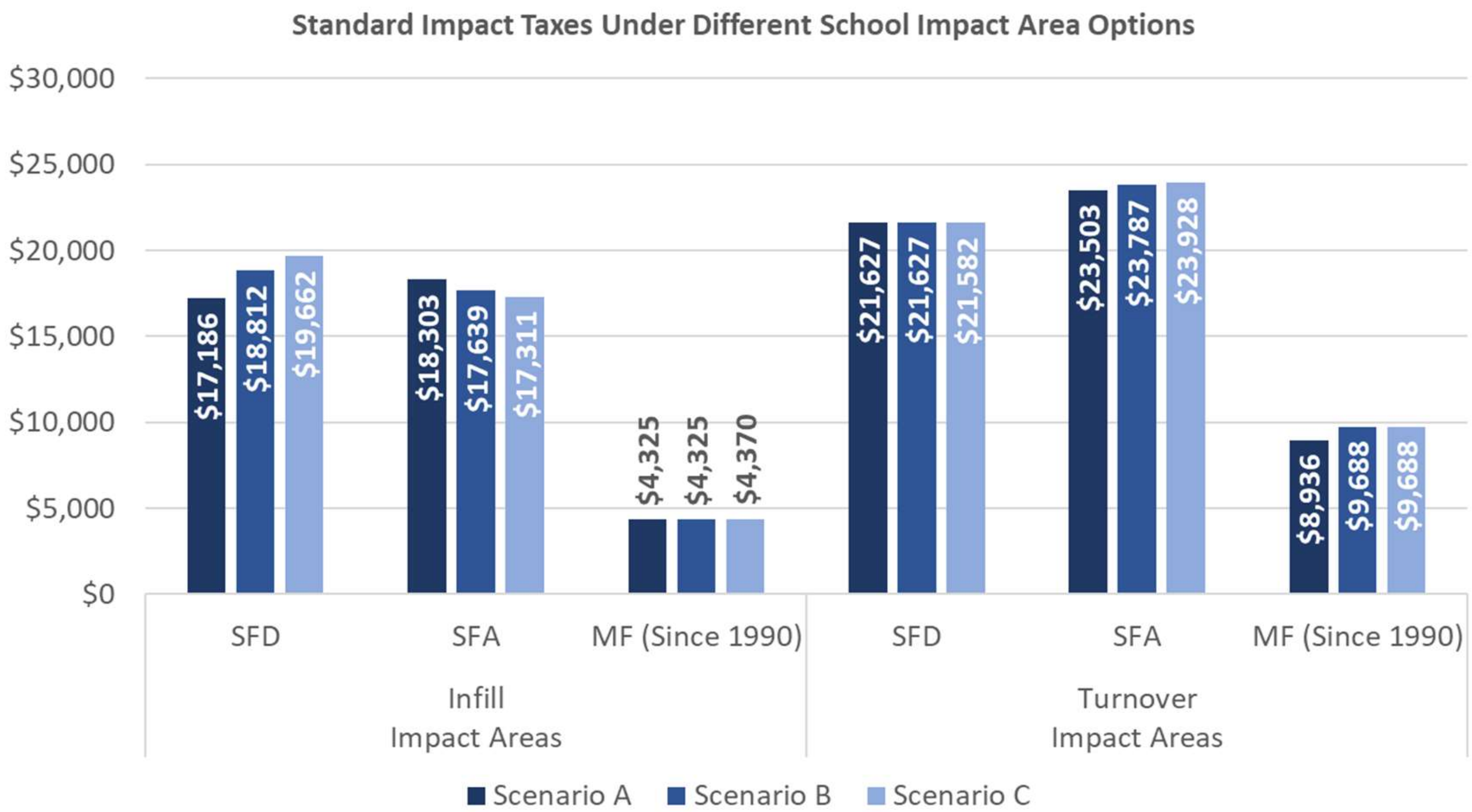
		SCENARIO A: Public Hearing Draft			SCENARIO B: MSPAs = Infill Impact Areas			SCENARIO C: MSPAs & PL = Infill Impact Areas		
		Single-family Detached	Single-family Attached	Multifamily	Single-family Detached	Single-family Attached	Multifamily	Single-family Detached	Single-family Attached	Multifamily
Infill Impact Areas	Standard	$17,186	$18,303	$4,325	$18,812	$17,639	$4,325	$19,662	$17,311	$4,370
	Activity Center	$10,312	$10,982	$2,595	$11,287	$10,583	$2,595	$11,797	$10,387	$2,622
Turnover Impact Areas	Standard	$21,627	$23,503	$8,936	$21,627	$23,787	$9,688	$21,582	$23,928	$9,688
	Activity Center	$12,976	$14,102	$5,362	$12,976	$14,272	$5,813	$12,949	$14,357	$5,813
	AR Zone	$25,952	$28,204	$10,723	$25,952	$28,544	$11,626	$25,898	$28,714	$11,626
	AR Zone (single unit)	$12,976	N/A	N/A	$12,976	N/A	N/A	$12,949	N/A	N/A
Greenfield Impact Areas	Standard	$33,809	$28,691	$24,898	$33,809	$28,691	$24,898	$33,809	$28,691	$24,898
	Activity Center	$33,809	$28,691	$24,898	$33,809	$28,691	$24,898	$33,809	$28,691	$24,898
	AR Zone	$40,571	$34,429	$29,878	$40,571	$34,429	$29,878	$40,571	$34,429	$29,878
	AR Zone (single unit)	$20,285	N/A	N/A	$20,285	N/A	N/A	$20,285	N/A	N/A

School Impact Taxes

Impact Tax Scenario Comparisons

		SCENARIO A: Public Hearing Draft			SCENARIO B: MSPAs = Infill Impact Areas			SCENARIO C: MSPAs & PL = Infill Impact Areas		
		Single-family Detached	Single-family Attached	Multifamily	Single-family Detached	Single-family Attached	Multifamily	Single-family Detached	Single-family Attached	Multifamily
Infill Impact Areas	Standard	$17,186	$18,303	$4,325	$1,626	($664)		$850	($328)	$45
	Activity Center	$10,312	$10,982	$2,595	$975	($399)		$510	($196)	$27
Turnover Impact Areas	Standard	$21,627	$23,503	$8,936		$284	$752	($45)	$141	
	Activity Center	$12,976	$14,102	$5,362		$170	$451	($27)	$85	
	AR Zone	$25,952	$28,204	$10,723		$340	$903	($54)	$170	
	AR Zone (single unit)	$12,976	N/A	N/A				($27)		
Greenfield Impact Areas	Standard	$33,809	$28,691	$24,898						
	Activity Center	$33,809	$28,691	$24,898						
	AR Zone	$40,571	$34,429	$29,878						
	AR Zone (single unit)	$20,285	N/A	N/A						

School Impact Taxes



School Impact Taxes

R6.2 Comment Summary

Pro	We **support this recommendation.**
Pro	"We **support this targeting of impact taxes** to encourage transit-oriented development in urban centers such as White Flint"
Pro	It is sound public policy and planning to **prioritize residential growth in the County's 23 designated Activity Centers** because these locations have proximity to employment centers and transit.
Pro	This recommendation correctly recognizes that **impact taxes are a tool to either incentivize or disincentivize economic development.** Reducing the school impact tax for areas where we desire growth **will not make or break the MCPS capital budget**, but impact taxes do play a significant role in whether new home projects pencil out.
Pro	The ULI Panel is in **general agreement with this policy recommendation** but consider both the **relative value of the property and the socioeconomic standing of the owner/tenant.**

School Impact Taxes

R6.2 Comment Summary

Con	...a fixed dollar amount of tax, variably applied on a non-ad valorem basis, without any regard to the value of the property being taxed is the **most egregious form of regressive taxation possible**; namely, where the impact surtaxes are often considerably higher in actual dollar amounts, and often many multiples higher as a percentage of the property's value, in the lower socio-economic areas of the County. - all applicable School Impact Surtaxes and any UPP fees **should be adjusted on a property-value-bases relative to the County's median household income.**
Con	"The **CE generally opposes the reduced rates for impact taxes**, and specifically the 60% discount in Activity Centers. The CE does not believe that such areas of the County require additional incentives for new development."
Con	Impact taxes **should not be discounted in activity centers**, which already have lower impact taxes and are already incentivized in other ways. Giving up impact taxes for **necessary school capacity** only means that infrastructure will need to be subsidized by other strained revenue sources.
Con	"**Impact taxes should cover 100% of the costs associated with the new development**, and they should be consistent and fair across the county."

School Impact Taxes

R6.2 Comment Summary

Con	What is the rationale for reducing the school impact tax revenue? Its **calculation is unusually specific, has a direct nexus to impact via student generation rate, and yet is still an insufficient amount**. At a minimum, these rates should be standard across the board at a minimum of 100%.
Con	"The Proposal should consider the **unintended consequences that lowering impact fees would have on the use of impact fee exceptions**, which incentivize the construction of affordable housing."
Con	While commendable, **housing and zoning objectives should be addressed in master plans, zoning code and the general plan, and not in the SSP**. Impact taxes in Infill Areas are already adjusted to reflect the SGRs of those units, and they are significantly lower than Turnover and Greenfield Impact Areas.
Comment	Certified **'Qualified Opportunity Zones' in the County should be exempted** from all impact surtaxes, but not exempted from appropriate LATR, UMP/LATIP, or UPP payments (although adjusted for property-value-bases).
Comment	**Activity Centers should be distinguished and treated different** (non-high growth, high population growth, high jobs growth, high population and jobs growth).

School Impact Taxes

R6.2 Comment Summary

Comment	As a general policy, development impact taxes **should be lowered as much as possible** to increase the County's economic competitiveness.
Comment	Consider **impact taxes to cover 110% of estimated costs** using applicable student generation rates. This includes an allocation for land, which is not contemplated in the cost-per-student.
Comment	Look at the amount that **builder revenues will go up when the moratoria** are lifted and see what a fair amount of impact tax would be to leave our schools in a better capital situation than they are in now.
Comment	The Taxpayers League supports reducing the school impact tax to 100%. However, we **cannot support differentiated taxes, such as the lower 60% in Activity Centers**. We will just exacerbate the problems we now face. The rationale is that this is where growth should be focused. Says who? Not the people buying homes elsewhere. It is inequitable and **continues the tradition of downcounty being subsidized by the rest of the residents**.
Comment	The incentive **should apply to all Activity Centers** – by definition those are the locations where development should be targeted – but the need to be more focused.

School Impact Taxes

R6.2 Comment Summary

Comment	Please consider the effect of the impact taxes on where, if, and what kind of development occurs.
Comment	It appears that the Subdivision Staging Policy under consideration devalues the investment of my fellow owners by making the schools more crowded and again failing to provide the amenities that were long ago promised. Failing to have builders pay the appropriate cost of schools (impact fees) while continuing to add to our overcrowded schools does not sound to me to be a sound plan for our area's future, for our county's future.
Comment	We'd like to note that some of the identified Activity Centers in outer areas lack transit and are overly large.
Comment	The proposed rates are still too high – should be lowered to 50% in the Activity Centers and should be based on market value.
Comment	Very unlikely to be revenue neutral because it cuts school impact fees dramatically. Need to work with MCPS to better forecast school construction costs. Even the current 120% rate often falls short of covering actual costs of adding seats.

School Impact Taxes

R6.3

Allow a school impact tax credit for any school facility improvement constructed or funded by a property owner with MCPS' agreement.

- Credits are currently available for the value of dedicated land and improvements that add classroom capacity.
- This would allow a credit for improvements to facility conditions (roof replacements, HVAC system upgrades, etc.).

School Impact Taxes

R6.3 Comment Summary

Pro	Several organizations have expressed a support for this recommendation, including MCCPTA, which also hoped MCPS will take advantage of the opportunity.
Pro	We support this recommendation. Credits for land dedication should be allowed to continue and any school facility condition improvements - whether or not they add classroom capacity - should be given credit.
Con	BOE Policy CNE: Facility improvements that are not funded with Montgomery County Revenues exactly proscribes acceptable improvements. Were credits beyond land dedication discussed with MCPS before inclusion? Please do not offer something that MCPS will not accept.
Con	This also raises a HUGE red flag on equity. Developers could prefer high demand areas versus those with substandard facilities in areas that lack developer interest. Will they be racing to fix Burnt Mills ES, South Lake ES?
Comment	“We must have an agreement or understanding in place between PB and MCPS to make sure this becomes a reality. Look into getting a buy-in from MCPS to work together to allow these improvements to be made.”
Comment	Please look into having the builder itself build the addition to the school before the community is completed.

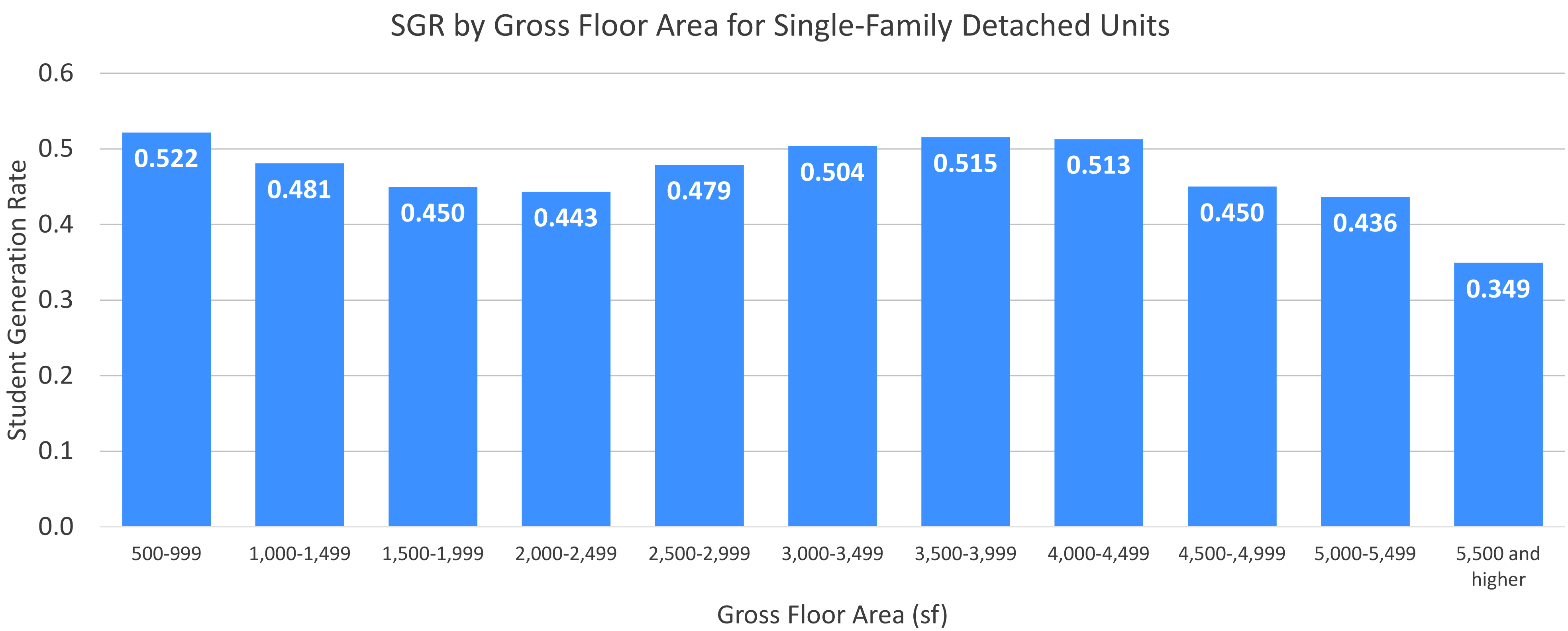
School Impact Taxes

R6.4

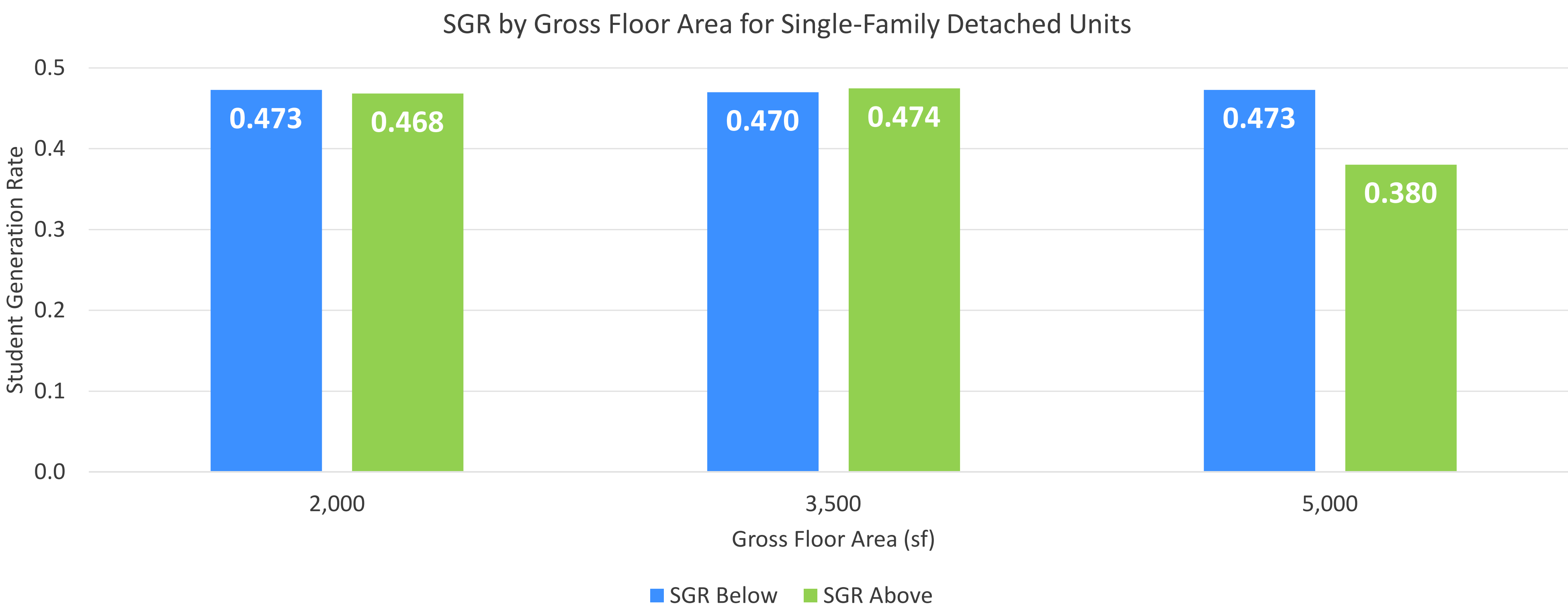
Eliminate the current impact tax surcharge on units larger than 3,500 square feet.

- Developers currently charged a premium surcharge of $2.00 for each square foot exceeding 3,500 square feet, to a maximum of 8,500 square feet.
- No relationship between the size of a single-family unit and the number of public school students generated.
- Preference to charge a premium based on school over-crowding.

School Impact Taxes



School Impact Taxes



School Impact Taxes

R6.4 Comment Summary

Pro	We support this recommendation.
Pro	Important for smaller companies and infill builders
Pro	It makes sense to match the Impact Tax to the measurable impact

Chapter 6. Tax Recommendations

Impact Tax Exemptions on Residential Uses

Impact Tax Exemptions on Residential Uses Recommendations

6.5 Eliminate the current impact tax exemptions for development in former Enterprise Zones.

6.6 Modify the current impact tax exemptions applied to all housing units when a project includes 25% affordable units to:

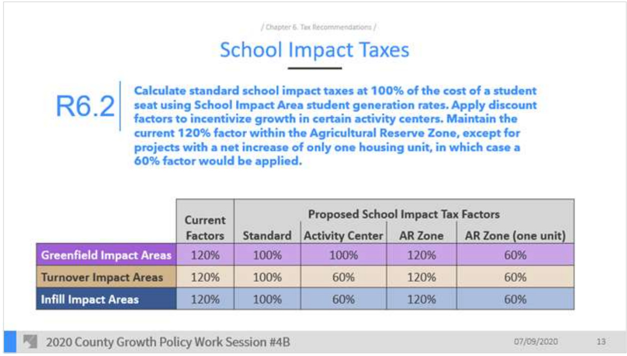
1. not apply the exemption to school impact taxes in the Greenfield Impact Areas,
2. require the affordable units be placed in the county’s MPDU program, and
3. require the project to include two times the standard share of MPDUs applicable to the project location.

6.7 Continue to apply impact taxes on a net impact basis, providing a credit for any residential units demolished.

Impact Tax Exemptions on Residential Uses

R6.5 Eliminate the current impact tax exemptions for development in former Enterprise Zones.

- Currently, all units built in Enterprise Zones or former Enterprise Zones are exempt from all impact taxes.
- Enterprise Zones are identified by the state and provide tax incentives for employers to create jobs.
- Former Enterprise Zones: Silver Spring CBD and Wheaton
- Alternatively, we recommend applying an impact tax discount to development within identified Activity Centers, as discussed in Recommendation 6.2.


/ Chapter 6. Tax Recommendations /

School Impact Taxes

R6.2 Calculate standard school impact taxes at 100% of the cost of a student seat using School Impact Area student generation rates. Apply discount factors to incentivize growth in certain activity centers. Maintain the current 120% factor within the Agricultural Reserve Zone, except for projects with a net increase of only one housing unit, in which case a 60% factor would be applied.

	Current Factors	Proposed School Impact Tax Factors			
		Standard	Activity Center	AR Zone	AR Zone (one unit)
Greenfield Impact Areas	120%	100%	100%	120%	60%
Turnover Impact Areas	120%	100%	60%	120%	60%
Infill Impact Areas	120%	100%	60%	120%	60%

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Impact Tax Exemptions on Residential Uses

R6.5 Comment Summary

Pro	"The **CE does support** this SSP's recommendation to eliminate current impact tax exemptions for former Enterprise Zones."
Pro	"I am **thrilled about this recommendation.**" Fourteen years beyond the expiration date in Silver Spring is more than enough time for an incentive to encourage job growth, not housing.
Pro	"Enterprise Zones were established to stimulate commercial activity, and **a legacy exemption on residential housing is unwarranted**"
Pro	The three organizations (Greater Colesville Civic Association, Tamarack Triangle Civic Association and Labquest Community Partnership) **support this recommendation**.
Con	Silver Spring and Wheaton, the former Enterprise Zones, are not yet self-sustaining. **These areas, with their fragile market and lower rent structure, are not able to absorb either the existing or the proposed new impact taxes.** The impact tax exemption is what allows the equalization of the marketplace between the former Enterprise Zones and other areas of the County, such as Bethesda or White Flint. The construction cost for buildings is the same in all four areas, but the rental return in Silver Spring and Wheaton is far below that of Bethesda or White Flint.

Impact Tax Exemptions on Residential Uses

R6.5 Comment Summary

Con	The new County Growth Policy should **retain the impact tax exemption for Enterprise Zones**, and for the exact same policy reasons, **add an exemption for the County's Qualified Opportunity Zones**, which essentially have the same socio-economic and historic disinvestment characteristics as Enterprise Zones.
Con	Wheaton's designation as an Enterprise Zone **just expired in 2019**. Reconsider eliminating this exemption. The economic reality is that **even when we have no impact taxes included it is difficult to create a project that is feasible**. The apartment rents are much lower in Wheaton than that of Montgomery Mall but unfortunately the costs to construct are much the same. We appreciate that the SSP recommends lowering the school tax in areas such as Wheaton, but this is not enough.
Con	We **oppose ending the impact tax exemption for downtown Silver Spring**. It's important to consider the short-term tradeoffs for longer term benefits. **Silver Spring's future success is far from guaranteed**, especially in the current difficult economic environment.

Impact Tax Exemptions on Residential Uses

R6.5 Comment Summary

Comment	Apply grandfathering to regulatory approvals generally, so that after obtaining some approvals (preliminary plan; sketch plan; site plan; permits), the project can complete the subsequent required application approvals under the same rules - protect projects that have received site plan approval. These areas, with their fragile market and lower rent structure, are not able to absorb either the existing or the proposed new impact tax - Long term, phased projects are certain to have ongoing amendments of approved site plans over the course of implementation. These projects should not be penalized—by loss of the impact tax exemption
Comment	If tax exemptions are to be removed, existing applications and approvals should be protected in a manner that allows existing in-progress projects to proceed to completion using the previous tax exemption rules.
Comment	We support exemption for Opportunity Zone properties within Central Business Districts.

Impact Tax Exemptions on Residential Uses

R6.5 Comment Summary

Comment	New revitalization development projects in the lower socio-economic areas of the County should be granted the opportunity whereby all applicable SSP/impact surtaxes would not be due and payable at building permit, but rather paid over years via a development district revenue bond financing structure.
Comment	We support exemption for Opportunity Zone properties within Central Business Districts.
Comment	We recommend that Opportunity Zones be exempt from Impact Taxes. Opportunity Zones is a federal program similar to Enterprise Zones, which are designed to drive long-term capital to distressed communities by providing tax benefits on investments in these zones. Between the two programs, the depressed part of east county will benefit. This investment will start to address the long-standing inequity situation in east county and address the Thrive Complete Communities Vision. Citizens in east county often share the impression that east county has been ignored by the county government in terms of investment for at least four decades.

Impact Tax Exemptions on Residential Uses

R6.6

Modify the current impact tax exemptions applied to all housing units when a project includes 25% affordable units to:

1. not apply the exemption to school impact taxes in the Greenfield Impact Areas,
2. require the affordable units be placed in the county's **or a municipality's** MPDU program, and
3. require the project to include two times the standard share of MPDUs applicable to the project location.

- Greenfield Impact Areas. These areas are experiencing high amounts of residential development generating large numbers of students.
    - Do not want to incentivize growth through impact tax policy in these areas.
    - Schools struggling to keep pace, should be a priority to ensure impact taxes are paid when residential development occurs.

Impact Tax Exemptions on Residential Uses

R6.6

- **MPDU Program.** Require MPDUs not just "affordable units."
  - Ensures the control period on the units is maximized – 99 years.
  - Other affordable housing programs have shorter control periods.

- **Share of MPDUs.** requirement used to be 12.5%, now 15% in some areas.
  - Lost impact tax revenue per each additional MPDU, can be quite hefty.
  - Recommend doubling the MPDU share required to receive this exemption.

Impact Tax Exemptions on Residential Uses

R6.6 Comment Summary

Cities of Gaithersburg and Rockville	**Putting Units in MPDU program:** • Language needs to be clearer that the county/municipalities have different MPDU programs with different requirements and control periods • Gaithersburg has a workforce requirement on top of MPDU requirement that may make it prohibitive to meet the requirements of the 25% MPDU waiver • Concerns with how income averaging for tax credit projects would work **Doubling requirement:** • Rockville is having preliminary discussions of setting base as 15% and using the 25% as incentive

Impact Tax Exemptions on Residential Uses

R6.6 Comment Summary

Pro	We support this recommendation. This higher standard will result in more permanently moderately priced housing.
Con	The one-size-fits-all approach regarding MPDUs lacks all context sensitivities. The general desired policy to increase the supply of MPDU needs to be context-sensitive to the fact that certain areas of the County do not have the same need to increase the supply of MPDUs.
Con	"The proposal does not assess whether there are any other factors that would compel developers to continue to limit supply even if the County were to loosen regulations and reduce fees. Moreover, the proposal does not put forward any recommendations that would make the delivery of more affordable housing units a more certain outcome."
Con	Does not support complete impact tax exemption. However, if policy is maintained, agree that MPDUs should be placed in the county's MPDU program, and that the project should provide two times the standard applicable rate. We think that the exemption should be applied consistently, including Greenfield Impact Areas
Con	This proposal will effectively restrict the use of the exemption to HOC and other affordable housing providers only. In the 15% MPDU areas, needing to reach 30% is excessive. In those areas, most projects will simply comply with the required 15%, thus losing the additional 10% that could be encouraged by the current law.

Impact Tax Exemptions on Residential Uses

R6.6 Comment Summary

Con	This exemption program has been successful in providing MPDU units for the County because it makes it financially feasible to support these units. **Doubling the requirement of affordable units will have a detrimental if not "deal-killer" affect on projects that could proceed with this incentive**. More regulation discourages developers from building, the incentive is no longer worth the project
Con	**Request PB not recommend changes that would require areas of the County requiring 15% MPDUs to have 30% and maintain the provisions of the law as they currently exist**. If, however, PB decides to recommend this change in the law, we request that the changes not apply to any property for which an initial submissions of a sketch plan or preliminary plan has been filed prior to the effective date of the change.
Comment	The CE also has technical questions about retaining the impact tax exemption for 25% affordable housing, in terms of **revenue impacts.**
Comment	Use of the exemption has already been factored into the economics of projects. **If changes are made, then a grandfather provision should be added to protect those projects that are in progress, relying on the exemption as it is today**. If site plan approval after 1/1/2020 remains the trigger, there should be clarity that subsequent amendments do not change the projection received by the previously-approved site plan.

Impact Tax Exemptions on Residential Uses

R6.6 Comment Summary

Comment	It is critical that the PB recognize various development projects that have already **proceeded through the development review process under the current rules**. We respectfully request that the PB recommend that any development project with a preliminary plan of subdivision or site plan approval that includes 25% MPDUs be permitted to use the impact tax exemption at the time of building permit as long as the underlying preliminary plan of subdivision and/or site plan approval remain valid.
Comment	The current recommended transition period for this proposed impact tax law amendment provides that the changes must apply to projects that receive site plan approval after the effective date of the change to the impact tax law. If the Council follows last the last update's transition (March 1), there are still some projects that would be greatly impacted by this recommendation. Ask that the Board **not eliminate the use of the exemption in the Greenfield Impact Area**. However, if the Planning Board decides to include the elimination of the exemption, we request that the Board recommend that the change in the impact tax law provide that **any project for which a concept plan, initial sketch plan or preliminary plan has been submitted or filed** may proceed under the law as it existed prior to the effective date of the change.

Impact Tax Exemptions on Residential Uses

R6.6 Comment Summary

Comment	**Affordable housing should be provided in Greenfield Impact Areas** as well as the remainder of the County. Requiring twice as many MPDUs as the standard size will effectively just **reduce the number of such times this exemption will be used**. The development of MPDUs is a money-losing effort for developers and just adding the number of MPDUs will only make fewer such developments economic. The use of the exemption is also infrequently used, surely because of economics.
Comment	We request information about **how the proposed changes will affect revenues collected**. How will the revenues under the new systems compare to what currently exists, and what is the anticipated net effect on funding for projected infrastructure needs? A comprehensive evaluation of the financial impact of the changes to school impact taxes and recordation taxes is necessary and should be made publicly available prior to further consideration of those changes.

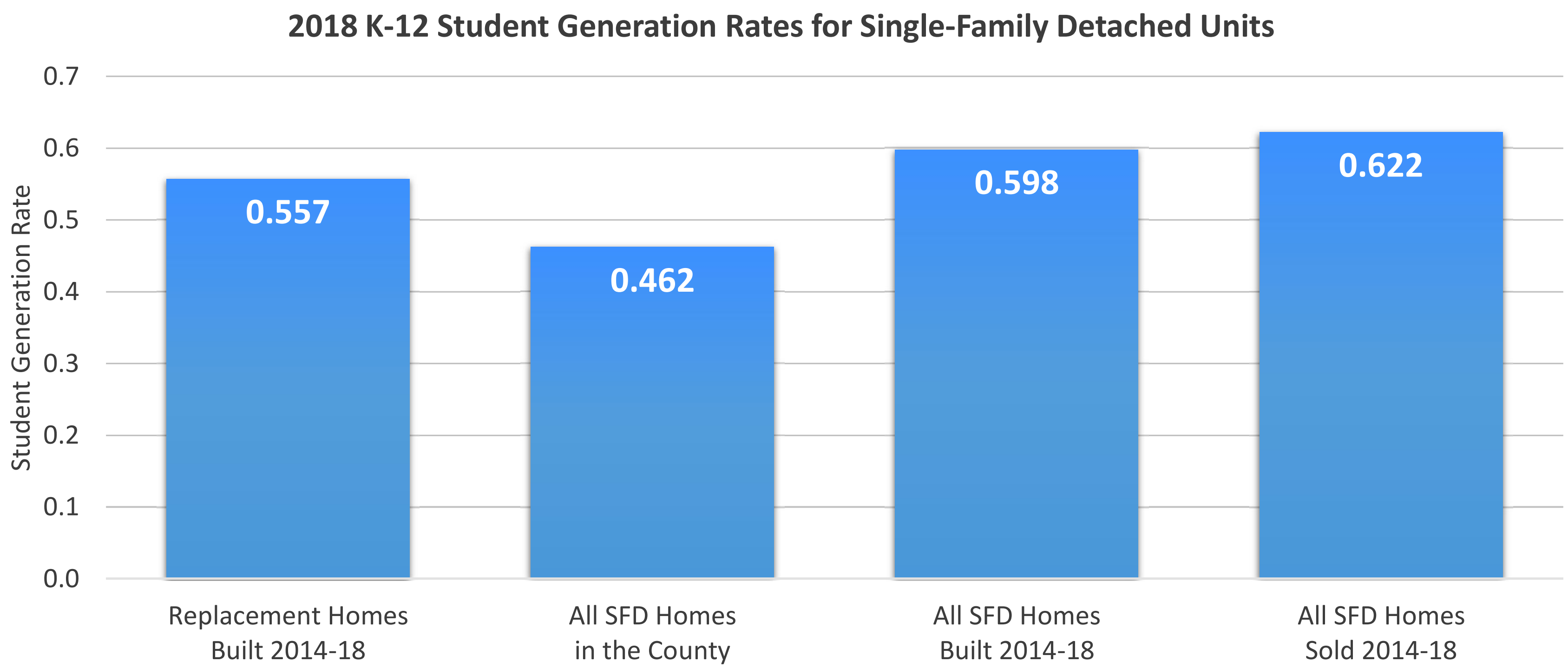
Impact Tax Exemptions on Residential Uses

R6.7

Continue to apply impact taxes on a net impact basis, providing a credit for any residential units demolished.

- Maintains current policy.
- Continue to not require Impact Taxes be paid on replacement single-family homes, as long as the construction on the new home begins within a year of the demolition of the original home.

Impact Tax Exemptions on Residential Uses



Impact Tax Exemptions on Residential Uses

R6.7 Comment Summary

Pro	Several organization and trade associations expressed support for this recommendation.
Comment	The ULI panel understands the interpretation of the staff research and recommendation. However, the panel suggests that the county take into consideration the of balance the mix of development and ensure the redevelopment of areas (including replacement of single-family homes with larger homes, for instance) results in long-term economic viability of that area and the county. General concern over the unintended consequences of not charging the impact tax.

Chapter 6. Tax Recommendations

Recordation Tax

Recordation Tax

R6.8

Incorporate progressive modifications into calculation of the Recordation Tax to provide additional funding for school construction and the county's Housing Initiative Fund.

- All of the funding options considered thus far are developer paid.
- The recordation tax is paid on the sale of a property by the purchaser.
- The tax is progressive – the amount paid is based on the sales price and the rate paid increases at higher prices.
- Given the increasing role that single-family turnover plays in enrollment growth, staff recommends a modification to the calculation of the recordation tax to contribute more funding to the MCPS capital budget.

Recordation Tax

Current Recordation Tax

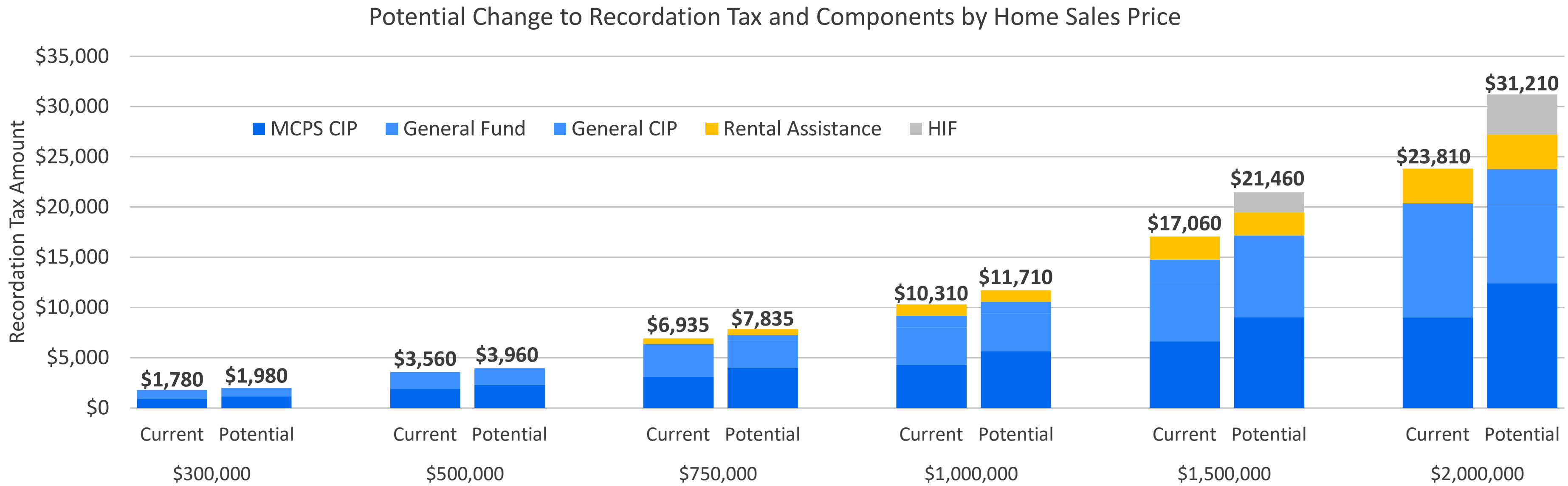
- Exemption
  - First $100,000 if principal residence
- For each $500 that the price exceeds $100,000:
  - $2.08 to the county’s general fund
  - $2.37 to the MCPS CIP
- For each $500 that the price exceeds $500,000:
  - $1.15 to the CIP in general
  - $1.15 to rental assistance

Recordation Tax

Proposed Recordation Tax

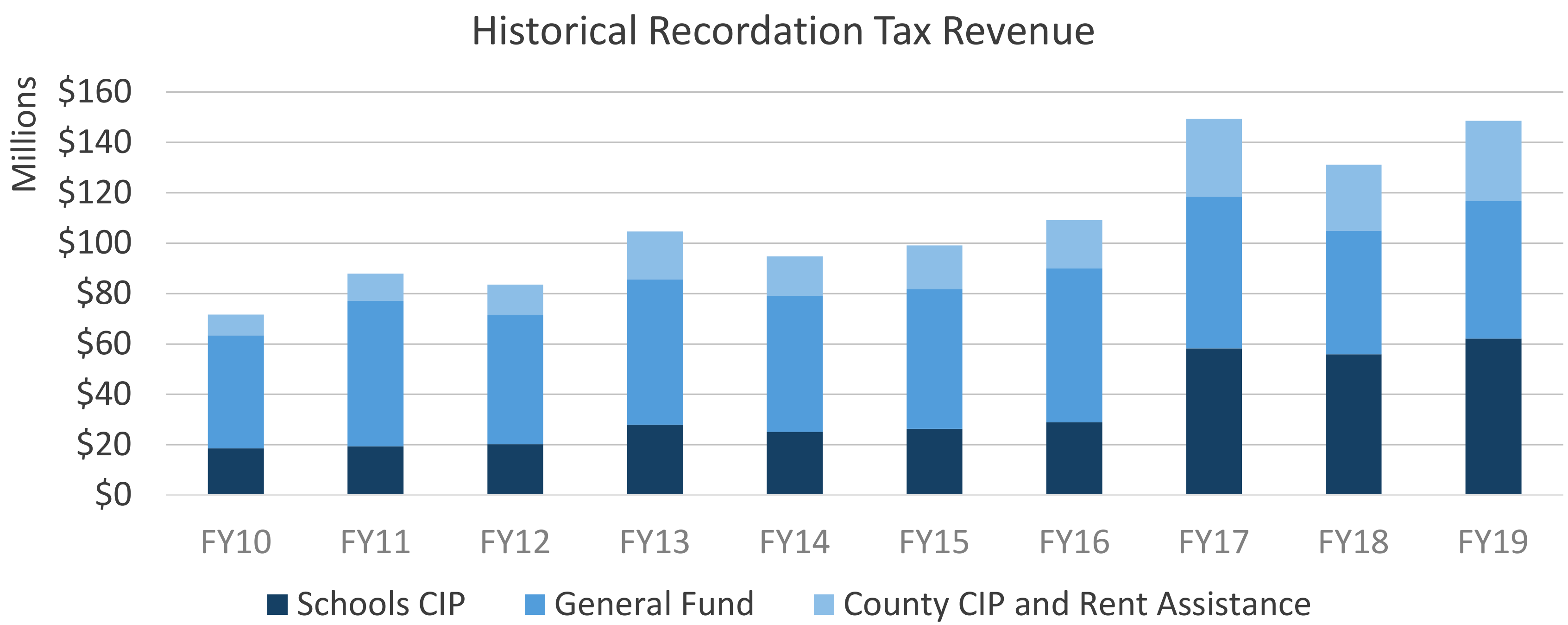
- Exemptions
  - First $100,000 if principal residence
  - First $500,000 if first-time homebuyer
- For each $500 that the price exceeds $100,000:
  - $2.08 to the county's general fund
  - $2.87 ~~$2.37~~ to the MCPS CIP
- For each $500 that the price exceeds $500,000:
  - $1.15 to the CIP in general
  - $0.50 to the MCPS CIP
  - $1.15 to rental assistance
- For each $500 that the price exceeds $1,000,000:
  - $1.00 to the Housing Initiative Fund

Recordation Tax



	$300,000	$500,000	$750,000	$1,000,000	$1,500,000	$2,000,000
Tax Increase	11%	11%	13%	14%	26%	31%
Tax Increase Amount	$200	$400	$900	$1,400	$4,400	$7,400
Increase as Share of Price	0.07%	0.13%	0.12%	0.14%	0.29%	0.37%
MCPS Funding Increase	21%	21%	29%	33%	36%	38%

Recordation Tax



- Estimated that the proposed change would have generated approximately $20 million more in revenue for <u>school construction</u> in FY19 (this does not account for the proposed first-time homebuyer exemption).

Impact Tax Exemptions on Residential Uses

R6.8 Comment Summary

Pro	"While we like that the tax increase is progressive, and we agree that because school capacity issues largely stems from neighborhood turnover, it makes sense that this turnover funds school construction and rental assistance"
Pro	"I urge you to support ... increasing the recordation tax to better fund school construction and rental assistance."
Pro	Since over 70% of new students come from neighborhood turnover and recordation taxes account for nearly a quarter of the MCPS budget, it makes sense to target home purchases to fund school capacity projects. We especially support an increase that is progressive.
Pro	We recognize the need to ensure a high-quality school system with schools that are not overcapacity. Progressive increases to the recordation tax would boost funding for schools as well as rental assistance.
Con	"In this plan, individuals will pay more (recordation tax) and developers will pay less."
Con	We are very wary of new taxes in the current economic and pandemic crisis.

Impact Tax Exemptions on Residential Uses

R6.8 Comment Summary

Con	"The Proposal should include more consideration of the effects that its tax recommendations will have on County revenue."
Con	In lieu of increasing the recordation tax, look at changing the existing allocation to better mirror the priorities of the county. If there is limited funding, policies need to be prioritized rather than trying to make new development carry the load
Con	Besides the negative effects on economic growth, the county does not control costs effectively, such as through regular performance reviews, objective justification for competing capital projects, and incentives to reduce costs. As we know, the county residents are on record for opposing tax increases as well.
Comment	Cost gets passed to the consumer - increasing costs of homes across the board.

Impact Tax Exemptions on Residential Uses

R6.8 Comment Summary

Comment	To avoid unintended double-taxation, the policy should clarify that any new development paying school and/or transportation impact surtaxes and/or any LATR or UMP/LATIP payments or UPP payments **should be exempt from any subsequent recordation tax on transfer of title** (for so long as those properties have or are contributing to pay their applicable SSP/Impact Surtaxes and/or LATR, UMP/LATIP, or UPP).
Comment	Recordation taxes **should be as low as possible to make the county competitive when it comes to tax policy.**
Comment	It was pointed out several times during the 11 June meeting and the 18 June meeting that **new housing has generated 23% of enrollment growth and accounts for 8% of the CIP budget**. Another way to look at these statistics is that existing housing pays for 92% of the CIP but only generates 77% of the new students. Is the difference between the actual impact on schools being passed on to consumers as savings on housing costs, or are developers passing the difference to investors as profits?

Upcoming Planning Board Work Sessions

July 16	Tie up loose ends
July 30	**Final Approval of Planning Board Draft to transmit to the County Council and County Executive**