



Montgomery Planning

2024 Growth and Infrastructure Policy

Preliminary Recommendations

Agenda

- Introduction
- 2024 Update
- Preliminary Recommendations:
 - Schools
 - Transportation
 - Impact Taxes
- Next Steps
- Discussion

Introduction

- Montgomery Planning initiates an update of the County's **Growth and Infrastructure Policy (GIP)** every 4 years.
- Planning Board transmits a draft to the County Council by **August 1**.
- County Council adopts the 2024-2028 policy by **November 15, 2024**.



History of the Policy

- During the 1980s and 1990s, greenfield development necessitated a policy focused on creating new capacity.
- Today, growth is through infill development and redevelopment.
- The policy approach has shifted to respond to the county's changing growth context and reflect its planning goals.



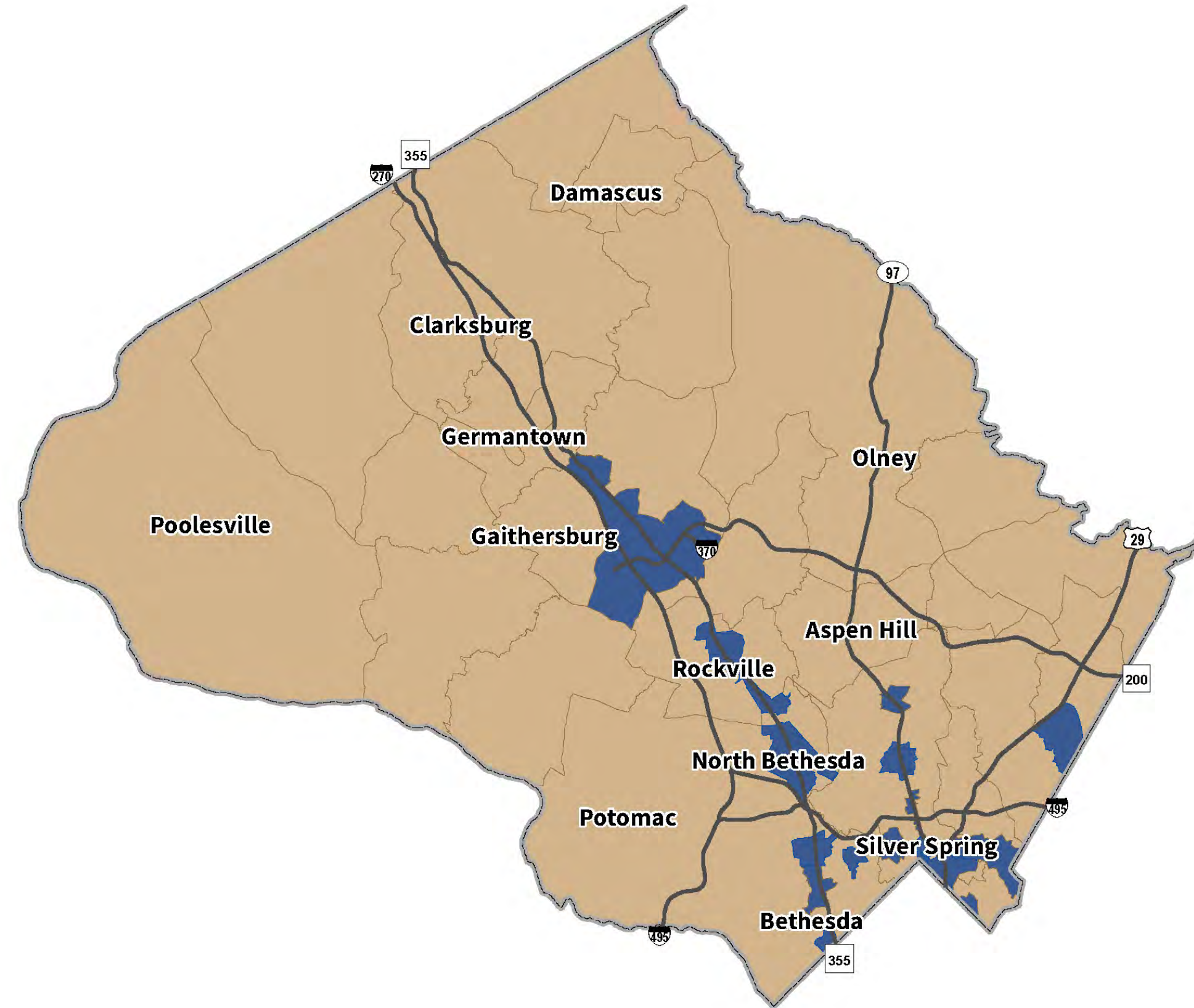
What is the Growth and Infrastructure Policy?

- Directs the Planning Board's administration of the **Adequate Public Facilities (APF)** requirements.
- Guides **adequacy assessment** during the development review process.
- **Sets the adequacy standards**, criteria for evaluation, and requirements for mitigation.
 - Making an adequacy determination involves both forecasting future impacts from private development **and** assessing the condition of existing public infrastructure.



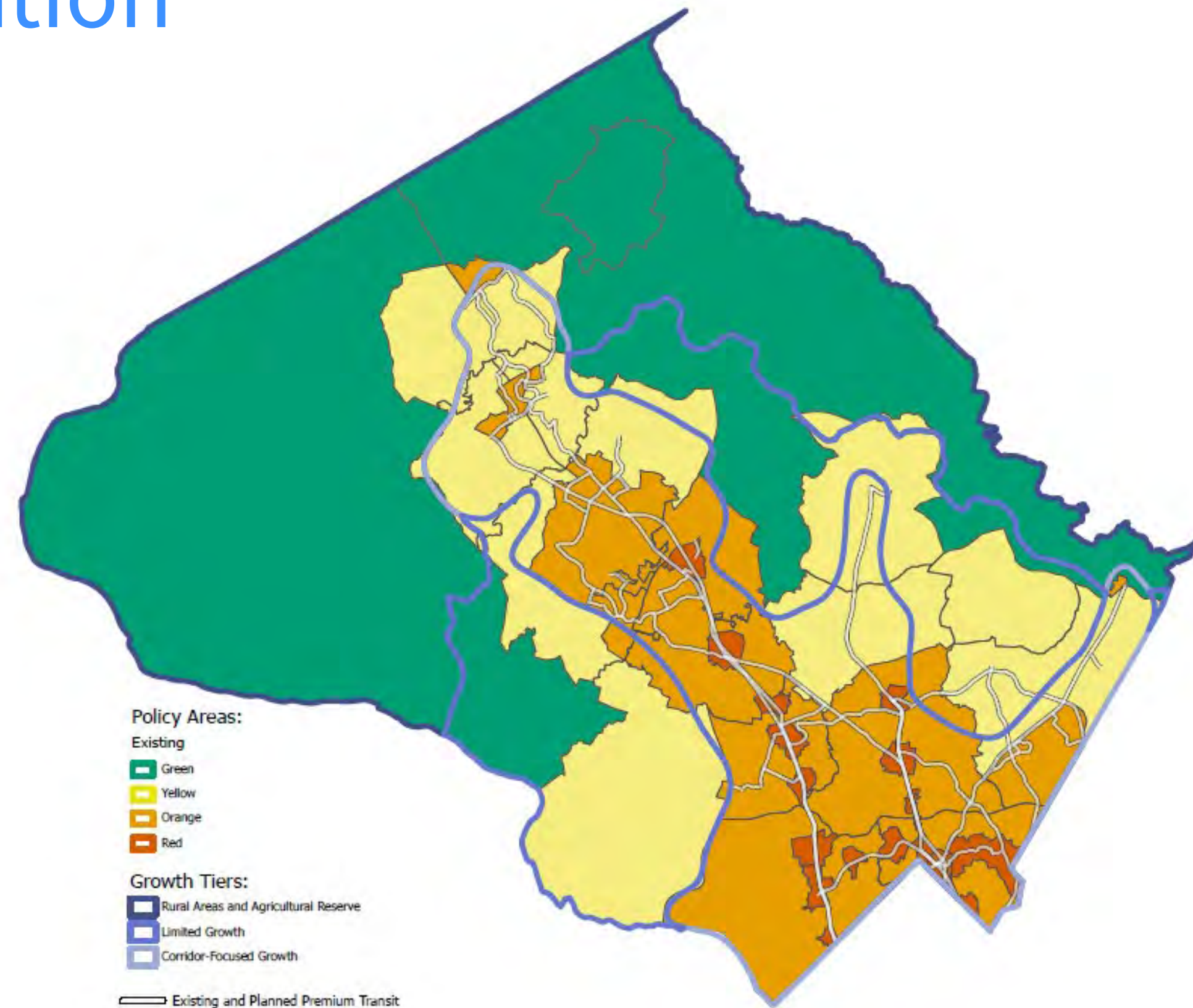
Adequacy – Schools

- Each residential development application is evaluated to forecast its demand for school facilities and to determine if and how the applicant will mitigate inadequacies
 - Annual Schools Test
 - School Utilization Report
 - School Impact Taxes
 - Utilization Premium Payments



Adequacy – Transportation

- Each proposed development forecasts its impacts and evaluates surrounding infrastructure to determine if and how it will mitigate its impact.
- Local Area Transportation Review (LATR)
 - Details the multimodal “tests” for any development project generating 50+ net new trips.
- Transportation Policy Areas



Adequacy – Other

- Water and Sewer
- Police, Fire and Health Services



Implementation Guidelines

- The Council-adopted GIP establishes the broad rules for defining adequacy
- The GIP is then implemented through subject-specific guidelines approved by the Planning Board:
 - Annual School Test Guidelines
 - Local Area Transportation Review (LATR) Guidelines



2024 Update

2024 Update: Themes

- Review the Performance of the 2020-2024 GIP
- Consider the County's Current Growth Trends
- Make Policy Implementation Clearer and More Efficient
- Review Development Impact Taxes
- Align the Policy with Updated County Priorities



County Priorities

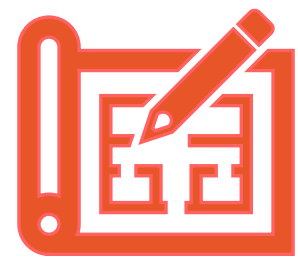
- Racial Equity and Social Justice
- Economic Competitiveness
- Environmental Resilience
- Compact Growth
- Housing for All
- Safety
- Good Governance



What informs planning recommendations

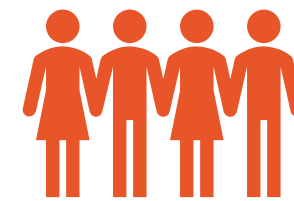


Engagement and Outreach Strategy



Technical Working Groups

- Schools Technical Advisory Team (STAT)
- Transportation Advisory Group (TAG)



Community and Stakeholder Group Meetings



Public Meetings



Explainers, blog posts, social media, e-Letter and Website

[Montgomeryplanning.org/GIP](https://montgomeryplanning.org/GIP)

School Feedback

Generally supportive of current policy, but key areas of focus were:

- **Boundaries** – too many boundaries to navigate between the different elements of the policy.
- **Utilization Premium Payments (UPP)** – concern over the amount and usefulness of funds collected.
- **School Impact Tax**
 - High rates deter housing production
 - Share of contribution to MCPS' capital budget is small

Transportation Feedback

Policy Implementation:

- Ensure analysis and mitigation are reasonably related to the size and impact of the development project, particularly in areas targeted for compact growth.
- Opportunities to increase fairness, transparency, and predictability.

Transportation Impact Taxes:

- High rates deter housing production.
- Requests for expansion of impact tax credits.
- Concerns about shifting additional cost burdens onto the County.

Preliminary Recommendations Overview

- Ensure adequacy while improving development conditions in the county.
- Enhance predictability, transparency, and proportionality in the approval process.
- Support the county's goals and priorities.



Preliminary Recommendations

Schools Element

Preliminary Recommendations

1. School Impact Area

Infill Impact Area

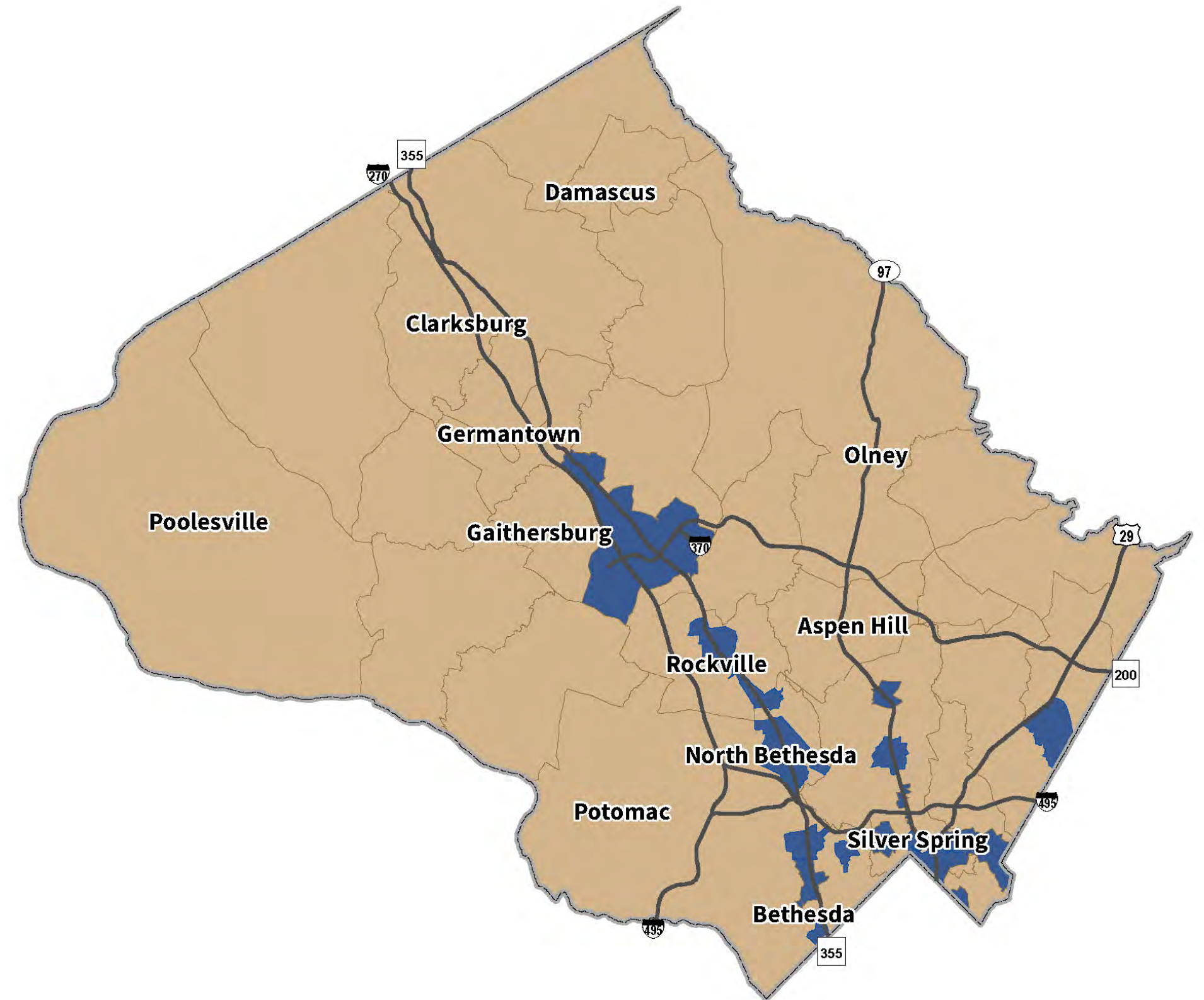
- High growth in multi-family housing units
- Low impact per unit on enrollment growth

Turnover Impact Area

- Low housing growth
- Enrollment growth largely due to turnover of existing single-family units

Greenfield Impact Area

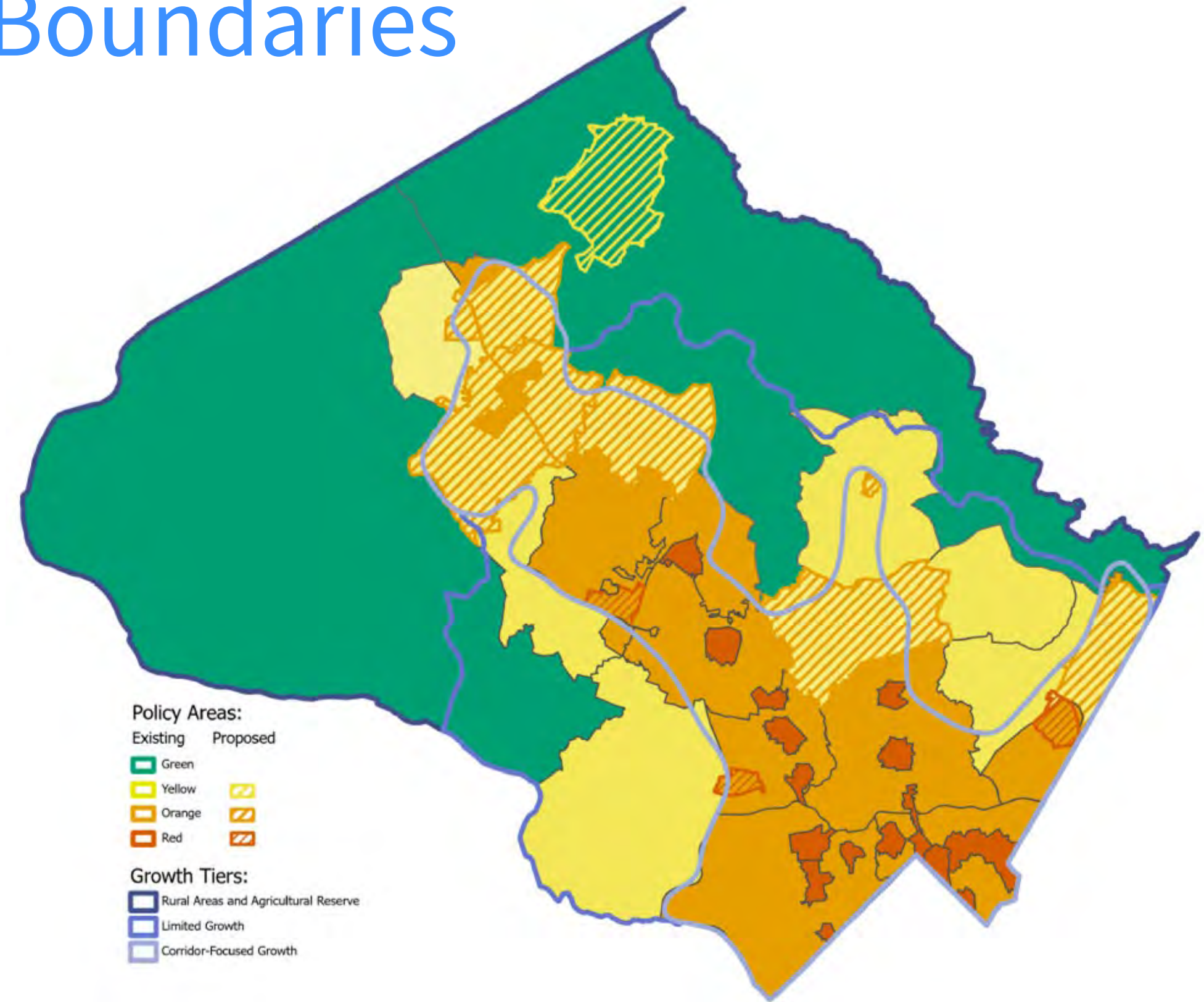
- High growth in single-family housing units
- High impact on enrollment growth
- *No area of the county was found to be in this category for the 2020-2024 GIP update.*



1. School Impact Area Boundaries

- **Recommendation:**

Modify the boundaries of School Impact Areas to align with the proposed Transportation Policy Area boundaries.



2. Annual School Test Adequacy Threshold

Growth and Infrastructure Policy FY 2024 School Test

Reflects Approved FY 2024 Capital Budget and Amendments to the FY 2023-2028 Capital Improvements Program

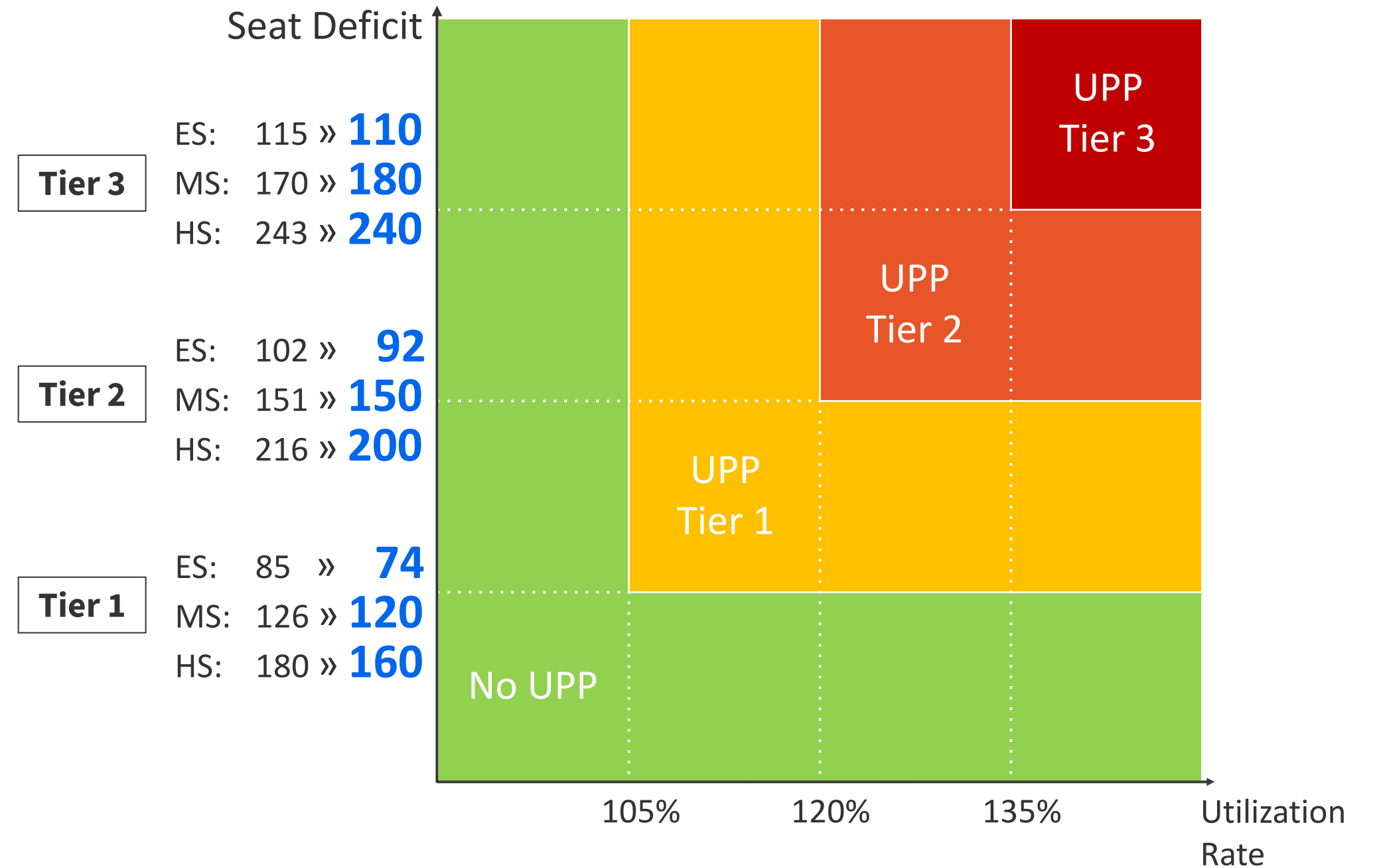
School Test Summary

UPP Tier	High Schools	Middle Schools	Elementary Schools
TIER 1 UPP Utilization: ≥105% Seat Deficit: ≥ 85 for ES ≥ 126 for MS ≥ 180 for HS	13⅓% of Impact Tax James Hubert Blake HS Paint Branch HS	10% of Impact Tax (none)	16⅔% of Impact Tax Arcola ES
TIER 2 UPP Utilization: ≥ 120% Seat Deficit: ≥ 102 for ES ≥ 151 for MS ≥ 216 for HS	26⅔% of Impact Tax Clarksburg HS	20% of Impact Tax (none)	33⅓% of Impact Tax Ashburton ES Oakland Terrace ES
TIER 3 UPP Utilization: ≥135% Seat Deficit: ≥ 115 for ES ≥ 170 for MS ≥ 243 for HS	40% of Impact Tax (none)	30% of Impact Tax (none)	50% of Impact Tax Mill Creek Towne ES

2. Annual School Test Adequacy Threshold

- Recommendation:**

Adjust the seat deficit thresholds of the Annual School Test to better align with MCPS' CIP threshold for classroom additions.



2. Annual School Test Adequacy Threshold

- **Change to Preliminary FY25 results with proposed thresholds:**
 - Tier 1 UPP
 - HS – Blake, Paint Branch
 - MS – Argyle
 - ES – **New Hampshire/Oak View, Sargent Shriver**
 - Tier 2 UPP
 - HS – Clarksburg
 - ES – Arcola, Burning Tree, Cashell, Flower Valley, Lake Seneca, Thurgood Marshall
 - Tier 3 UPP
 - ES – Mill Creek Towne

3. Student Generation Rate (SGR) - Housing Types

- Single Family Detached
- Single Family Attached
- Multi-Family Low-Rise
(4-stories or below)
- Multi-Family High-Rise
(5-stories or above)



3. Student Generation Rate (SGR) - Housing Types

- **Recommendation:**

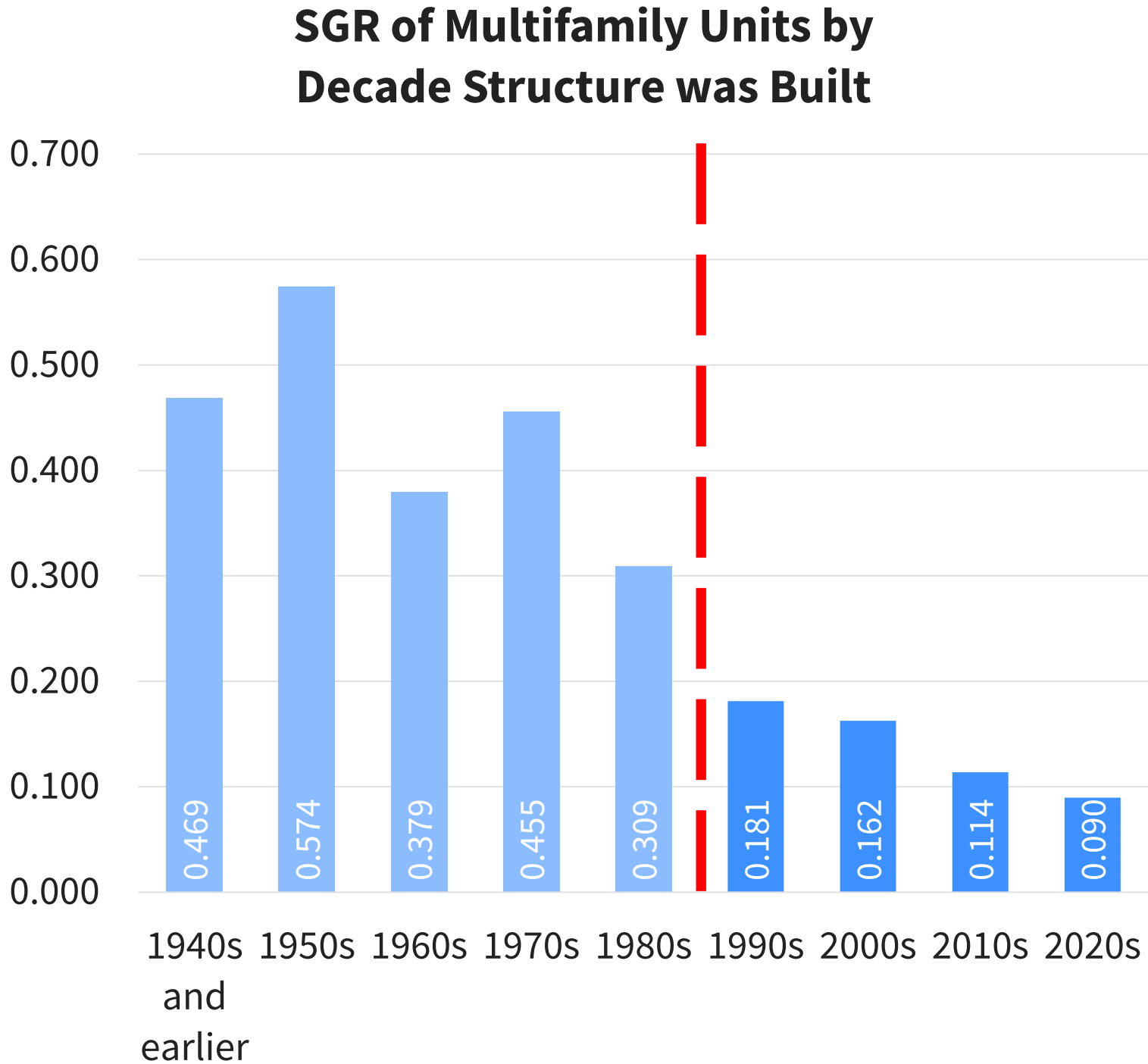
Keep distinction between multifamily high-rise vs. low-rise structures and add additional category for alternative housing types.



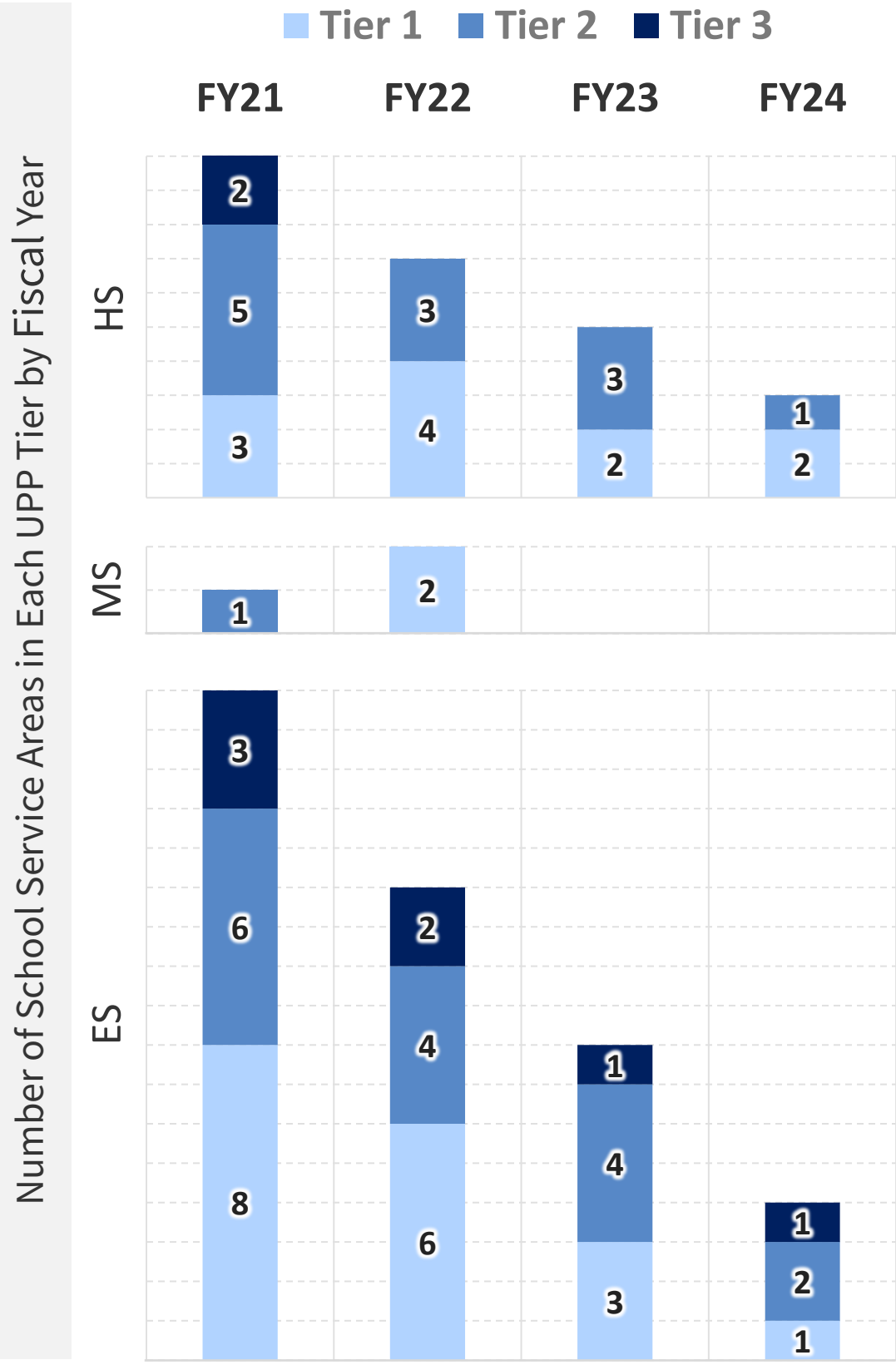
4. Multifamily SGR Calculation

- Recommendation:**

Continue calculating official SGR for multifamily units based on structures built in 1990 or later.



5. Utilization Premium Payment - Use of Funds



Summary of UPP Assessments, FY2021 – FY2024 (to date)

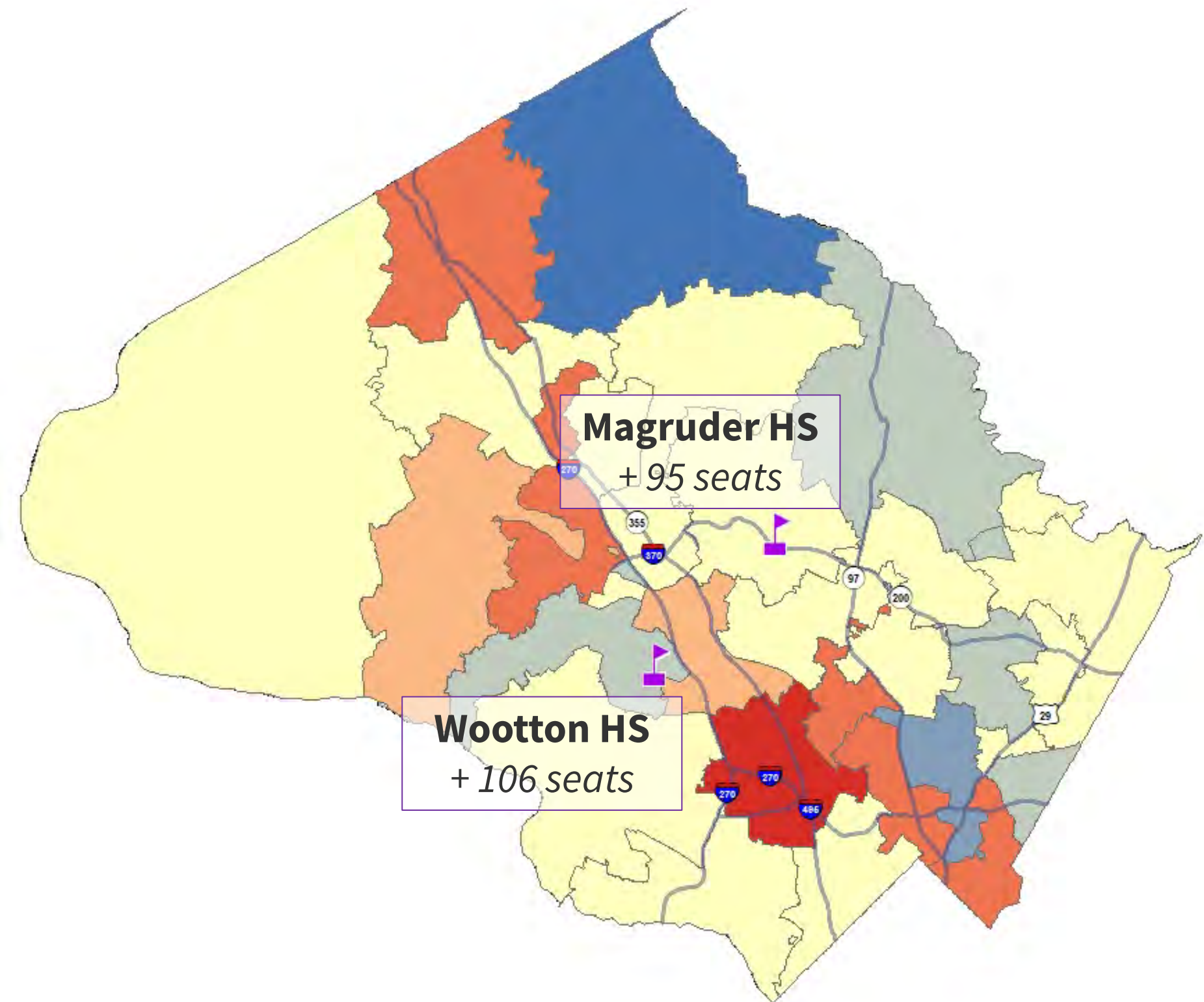
Fiscal Year	UPP Level	School Level	School & Impact Area	Unit Type & Count
FY 2021	Tier 1	HS	Blake (Turnover)	SFD – 1 unit
FY 2022	Tier 1	HS	Northwest (Turnover)	SFD – 4 units
			Clarksburg (Turnover)	SFD – 58 units SFA – 237 units MFL – 192 units
	Tier 2	HS	Quince Orchard (Turnover)	SFD – 1 unit
			Richard Montgomery (Infill)	MFH – 49 units
FY2023	Tier 1	HS	Gaithersburg (Infill)	SFA – 5 units
		ES	Bannockburn (Turnover)	SFD – 2 units
	Tier 2	HS	Richard Montgomery (Turnover)	MFH – 307 units
		ES	Ashburton (Turnover)	SFD – 1 units
FY2024	Tier 2	HS	Clarksburg HS (Turnover)	MFL – 284 units MFH – 89 units

➤ So far, \$6,546 has been received (1 Turnover SFA unit, Clarksburg HS).

5. Utilization Premium Payment - Use of Funds

- **Recommendation:**

Allow funds collected as Utilization Premium Payments to be used in capital projects adding capacity at adjacent schools or clusters.



5. Utilization Premium Payment - Use of Funds

School Service Area	UPP Assessment Estimate ¹ FY21-present (FY24)	On-Site or Adjacent Capacity Projects Scheduled in BOE's FY25-30 CIP Request ²
Blake HS	\$3,478	Blake, Paint Branch, Magruder
Clarksburg HS	\$4,138,651	Damascus
Gaithersburg HS	\$14,443	Crown, Damascus, Magruder, Wootton
Richard Montgomery HS	\$546,033	Crown, Magruder, Wootton
Northwest HS	\$13,911	Crown, Wootton
Quince Orchard HS	\$6,956	Crown, Wootton
Ashburton ES	\$8,695	BCC/Walter Johnson Cluster ES
Bannockburn ES	\$8,695	BCC/Walter Johnson Cluster ES

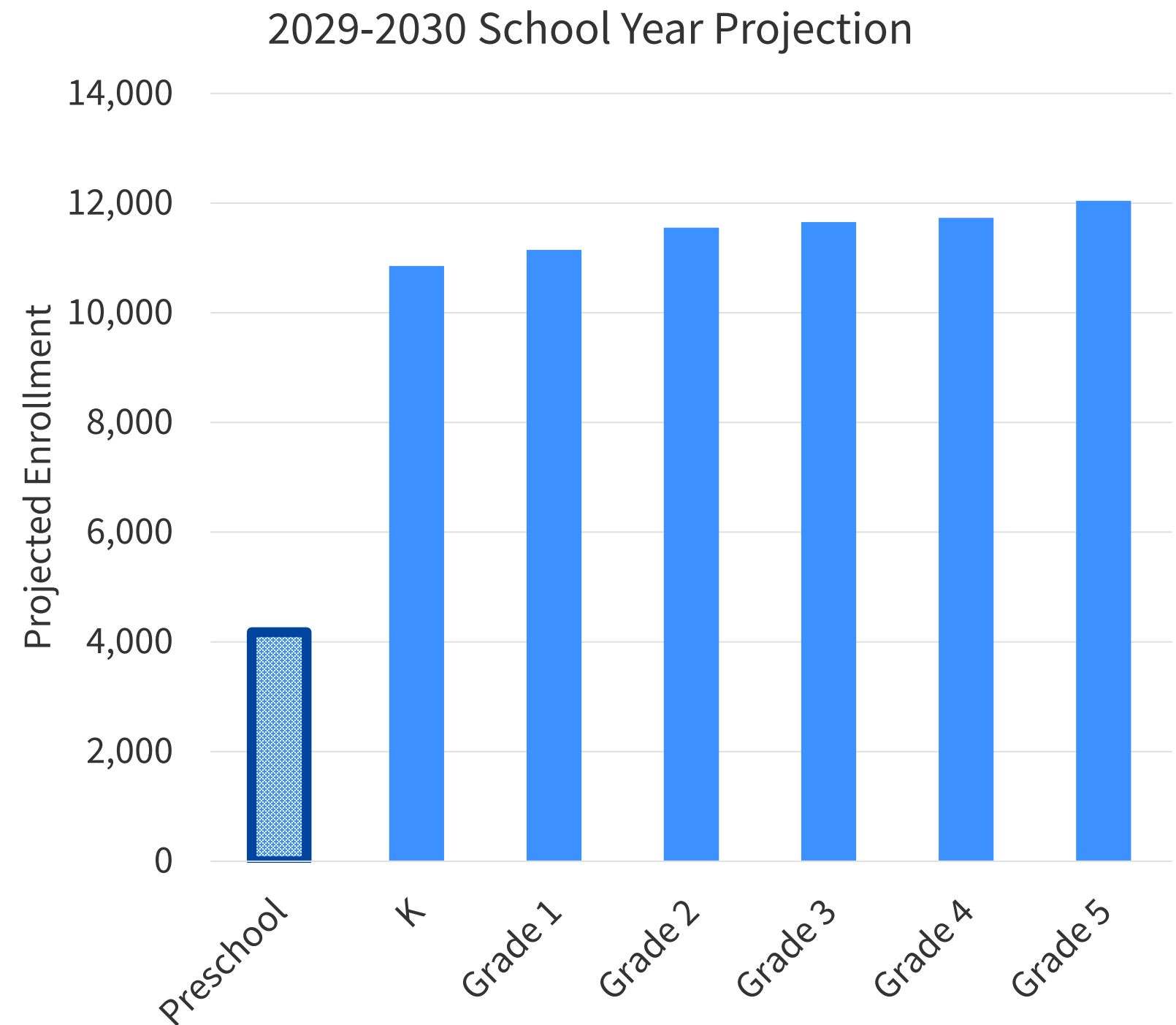
¹ Estimates are based on a hypothetical assumption that building permits are pulled during FY 2024-2025, using current impact tax rates.

² Schools highlighted in purple indicate capital projects that will be able to receive funds collected in the service area with the recommended change.

6. Early Childhood Program Expansion

- **Recommendation:**

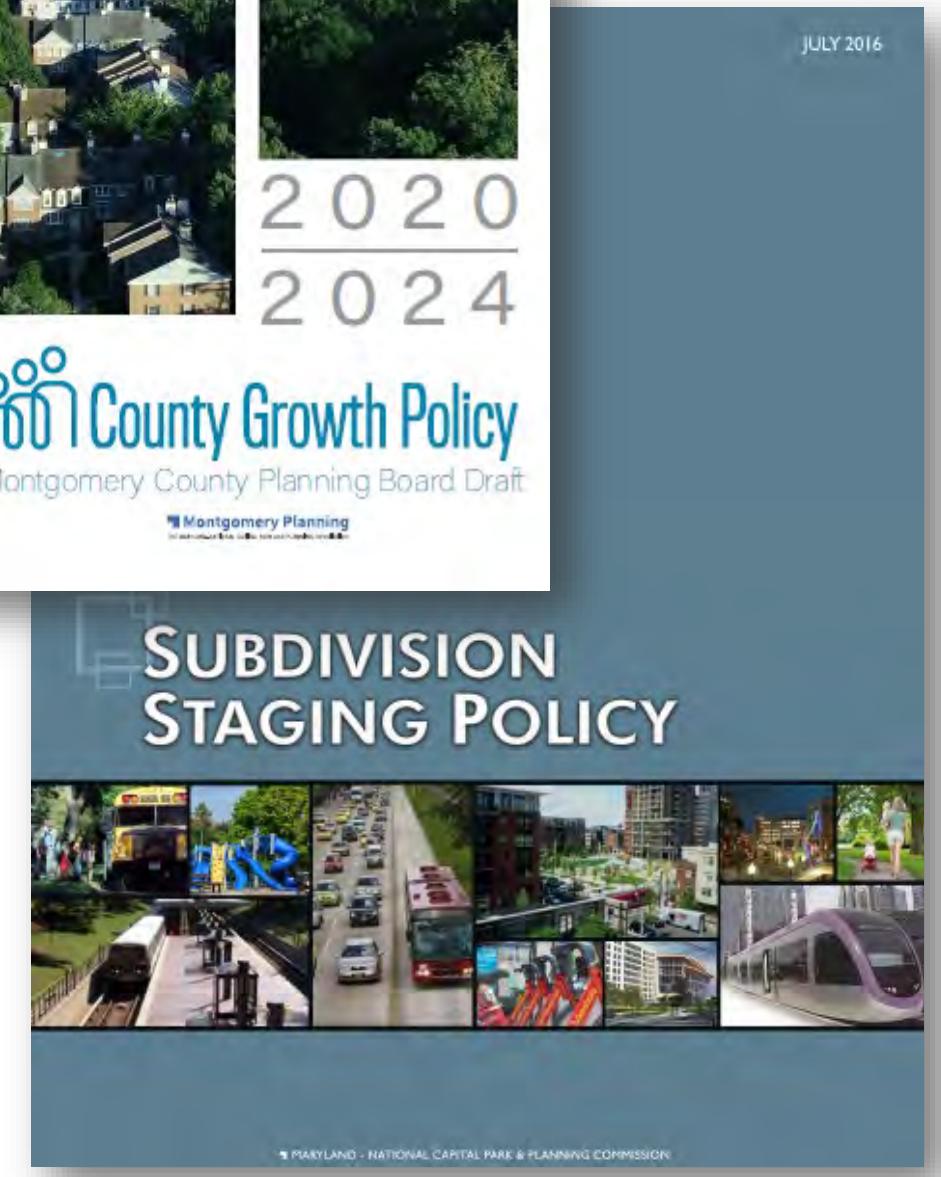
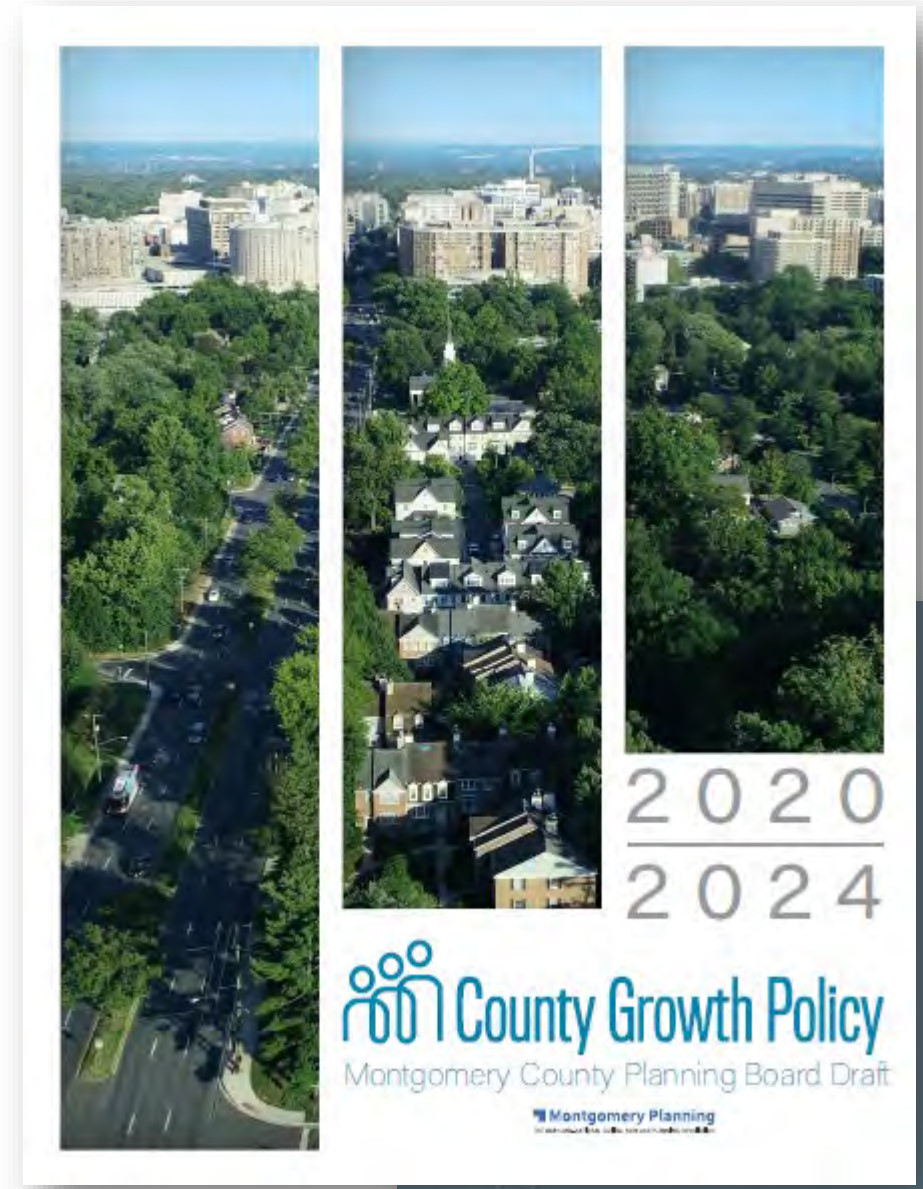
Monitor the impact of the early childhood program expansion to consider including preschool enrollment in student generation rate calculations.



Transportation

Previous Updates

Moved the policy away from strategies exclusively concerned with reducing congestion...
toward ones making walking, biking, and transit safer and more convenient.



LATR Outcomes

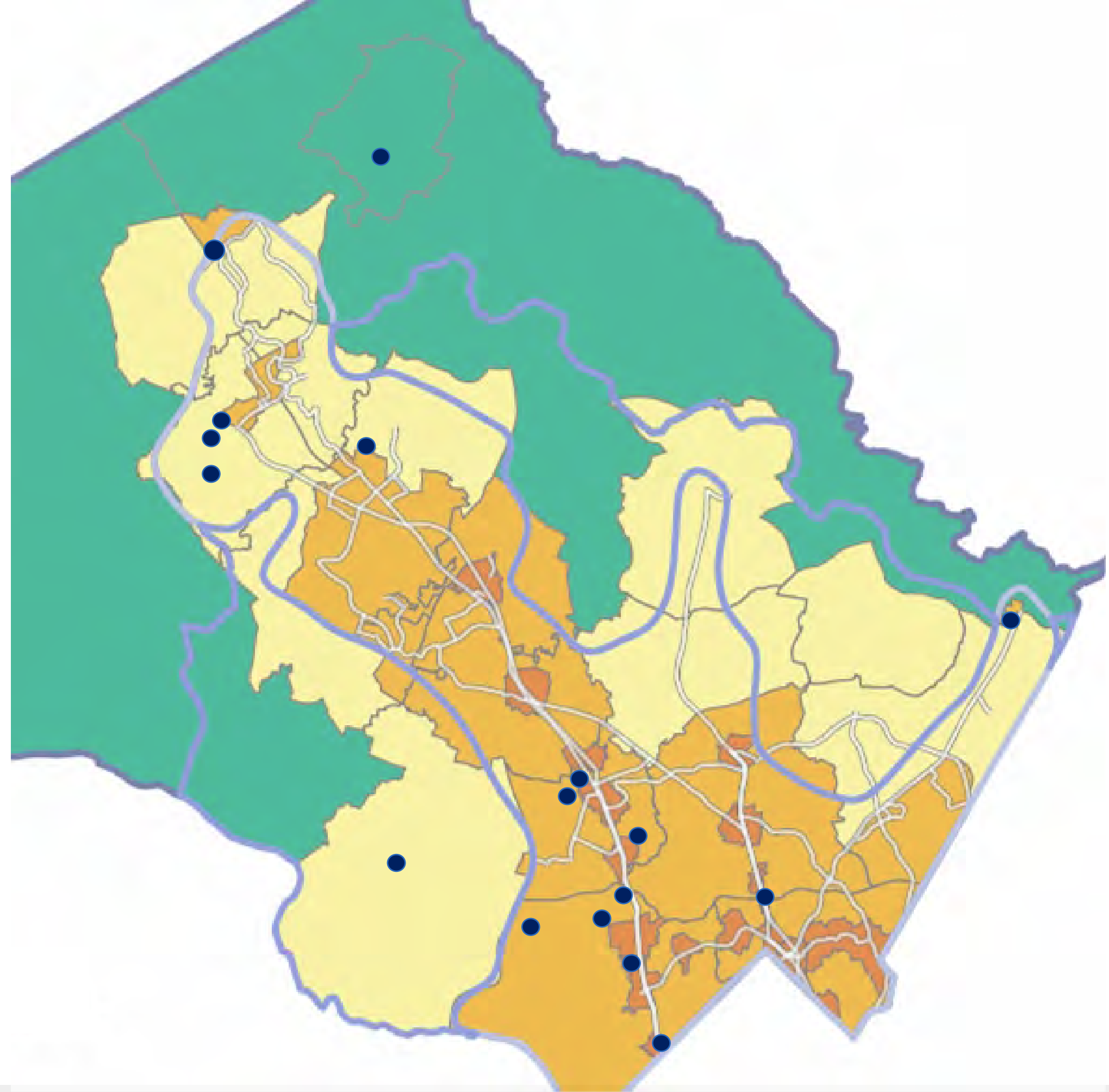
- 17 plans with LATR mitigation conditions since June 2021

Off-site mitigation totals (conditioned):

- \$2.6m in payments
- \$3.5m+ in constructed improvements*

Off-site Improvement	Amount
Turn Lanes	1
Traffic Signal	1
Bus Stops	3
ADA Curb Ramps	21
Streetlights	5
Separated Bike Lanes	2,300 ft
Sidepaths	2,000 ft
Sidewalks	2,450 ft

*Costs not available for all improvements

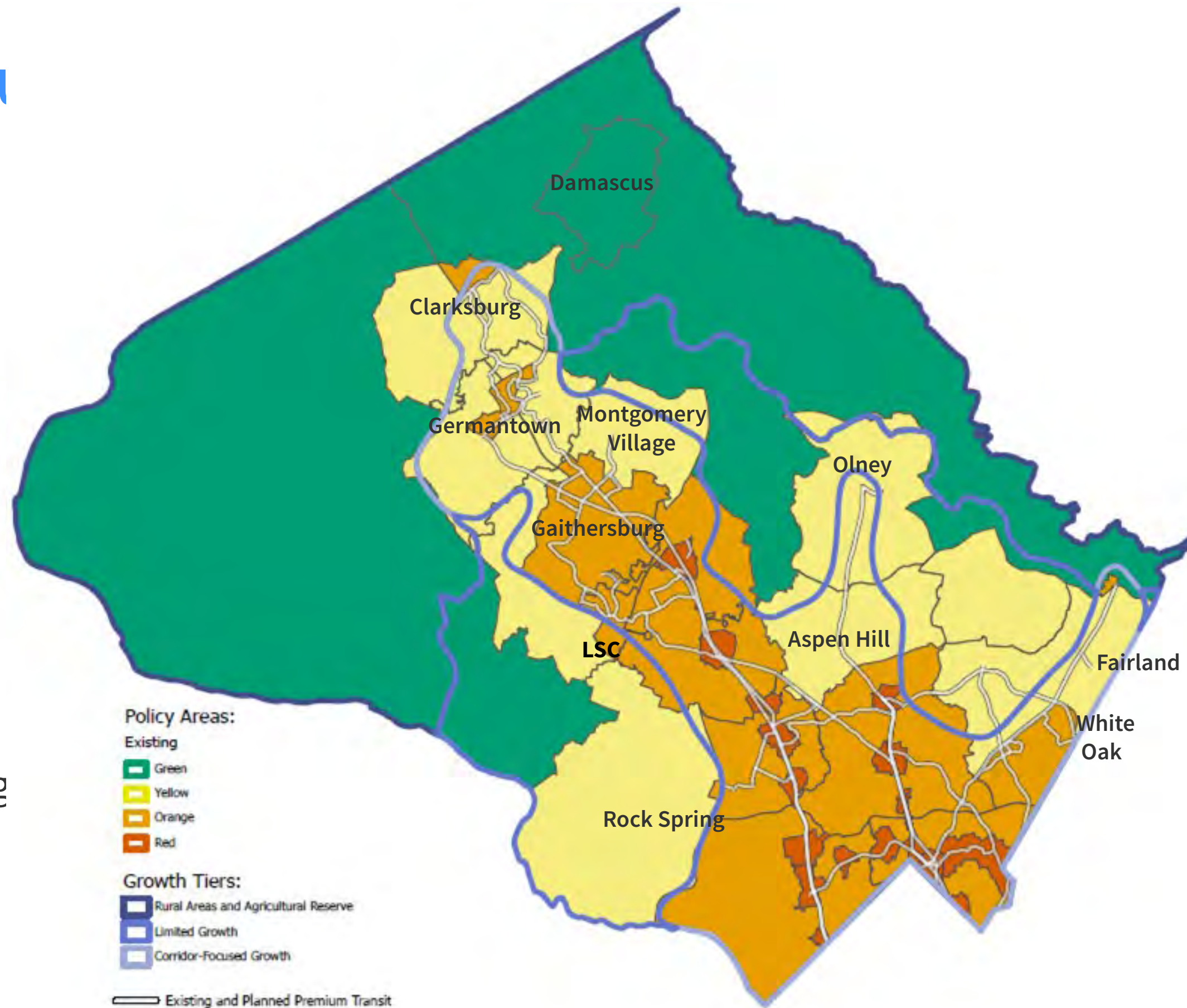


Transportation

Preliminary Recommendations

1. Update Policy Area Bo

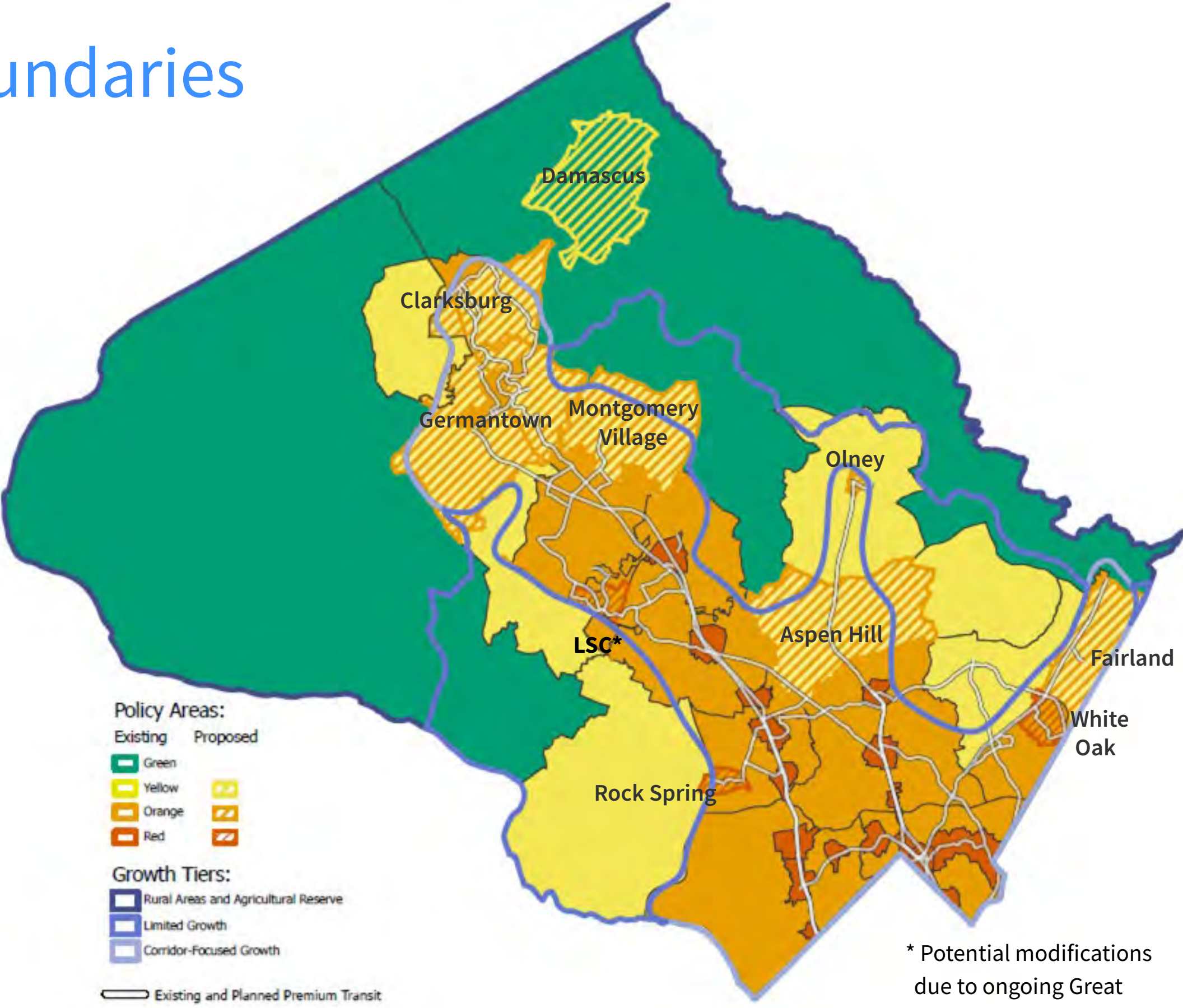
- **Red** – Central business districts, characterized by high-density development and the availability of premium transit service.
- **Orange** – Corridor cities, town centers and emerging transit-oriented development areas with planned premium transit.
- **Yellow** – Lower-density areas characterized by residential neighborhoods with community-serving commercial areas.
- **Green** – The county’s Agricultural Reserve and rural areas.



1. Update Policy Area Boundaries

Recommendation

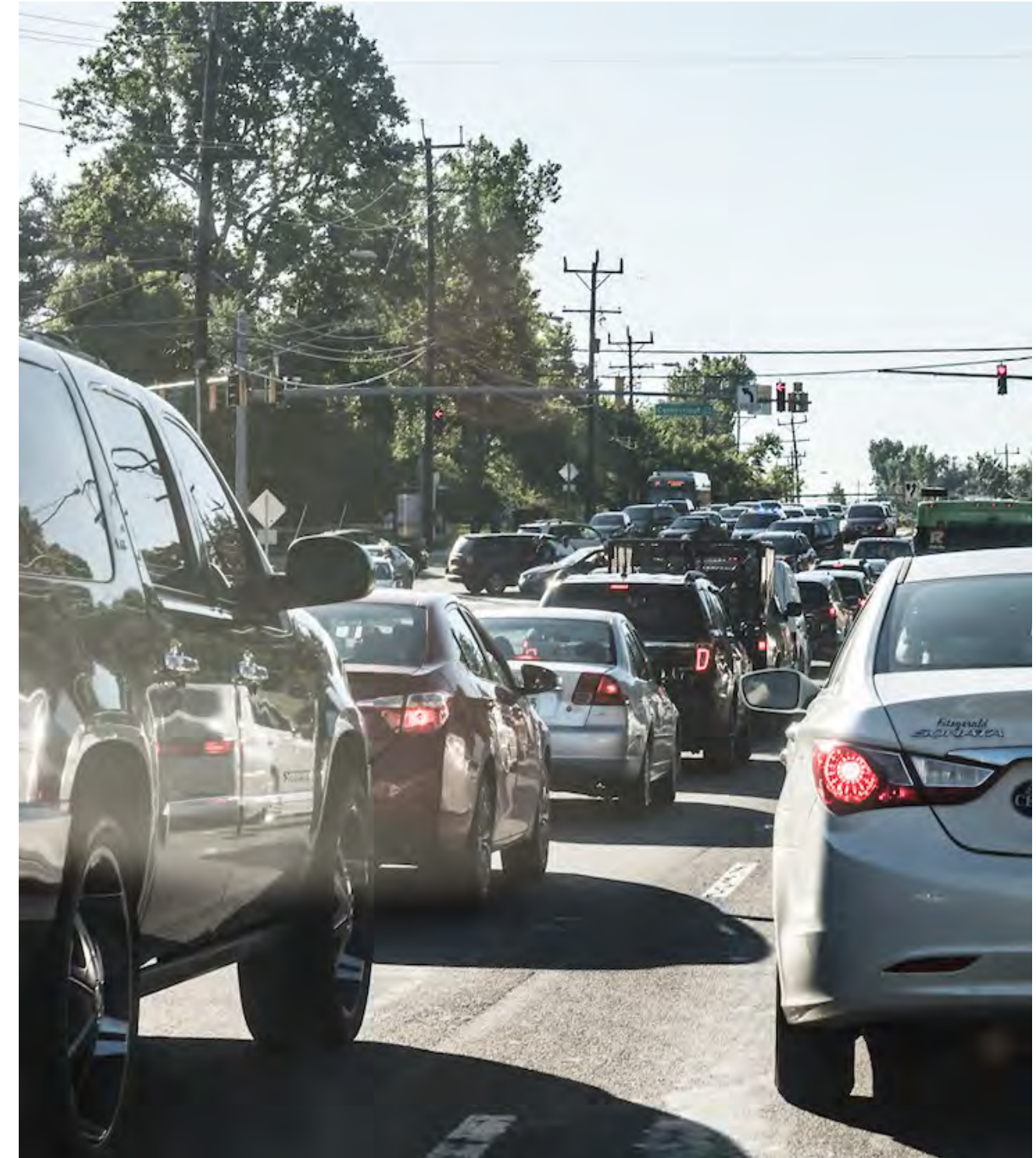
- Modify boundaries of policy areas: Colesville-Fairland, Clarksburg, Gaithersburg, Rockville
- **Red:** Life Sciences Center, Life Sciences/FDA Village, and Rock Spring
- **Orange:** Aspen Hill, Germantown East and West, Montgomery Village, Olney Town Center, and parts of Colesville-Fairland & Clarksburg
- **Yellow:** Damascus



* Potential modifications due to ongoing Great Seneca Plan.

2. Replace Person Trips with Peak-Hour Vehicle Trips

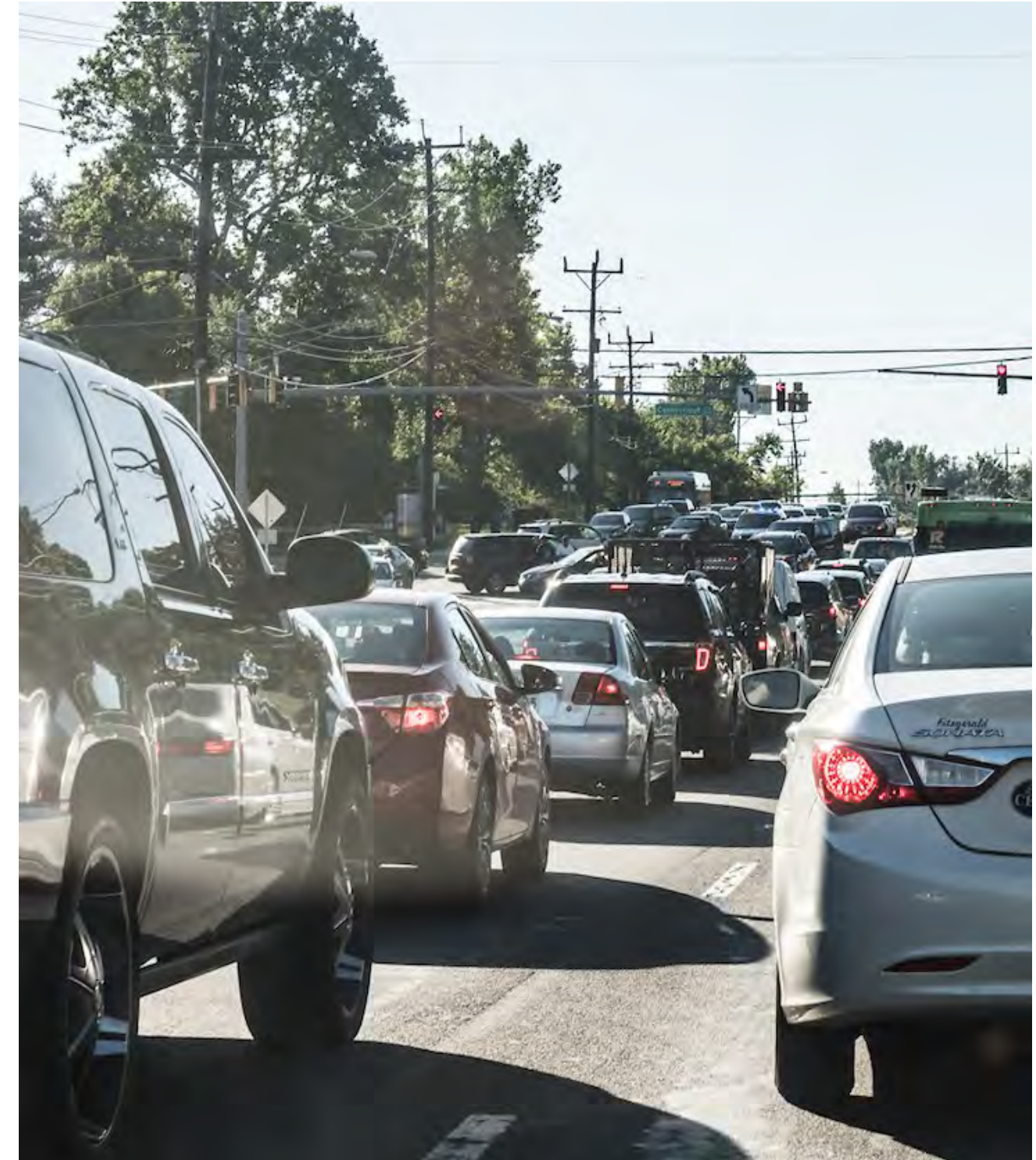
- Person trips serve as the threshold for
 - Conducting an LATR study
 - Determining the size of the study area
- Need to better account for the differences in impact between auto vs non-auto trips.
- Treating non-auto trips as negative impacts, rather than outcomes to encourage is inconsistent with county goals.



2. Replace Person Trips with Peak-Hour Vehicle Trips

Recommendation

- Replace peak-hour person trips with **peak-hour vehicle trips**.
- Develop new equivalent thresholds.



3. Standardize Transportation Adequacy Tests

Proposed development projects
generating 50+ net new trips complete:

- Vision Zero Statement
- Modal Adequacy Tests:
 - Safe System [Placeholder]
 - Motor Vehicle
 - Pedestrian System
 - Bicycle System
 - Bus System

Recommendation: Simplify the policy, making it more effective, transparent, and predictable.

3. Standardize the Transportation Tests

a. Refine the GIP Vision Zero Statement

- Assesses roadways and proposes solutions to safety issues.
- Applicants collect and analyze a substantial amount of data.
- Limited opportunities to act on the data.



3. Standardize the Transportation Tests

a. Refine the GIP Vision Zero Statement

Recommendation:

- Reduce required data collection and analysis.
- Standardize the scope using the current yellow/green extents.
- Develop new peak-hour vehicle trip thresholds.
- Clarify that speed-reduction strategies can be implemented by a developer as a mitigation project at MCDOT/SHA's discretion.

Current Vision Zero Statement Scoping Table (2023 LATR)

Peak-Hour Person Trips Generated	Distance from Frontage		Speed Studies (Max. #)	
	Red and Orange	Yellow and Green	Red and Orange	Yellow and Green
50 – 99	400'	250'	2	1
100 – 199	750'	400'	4	2
200 – 349	900'	500'	6	3
350 or more	1,000'	600'	8	4

3. Standardize the Transportation Tests

b. Safe Systems Adequacy Test Placeholder

- The 2020-2024 GIP included a placeholder for a future Safe Systems Adequacy Test.
- Complete Streets Design Guide (2021) and related County Code provide appropriate direction for private development.
- Pedestrian and bicycle tests address similar safety issues.

Recommendation:

Remove reference to the Safe Systems Adequacy Test from the GIP.

3. Standardize the Transportation Tests

c. Motor Vehicle Adequacy Test

- Applicant evaluates its impact on vehicle delay, then mitigates that impact or reduces to the applicable policy area standard.
 - Standards defined by the Critical Lane Volume (CLV) or Highway Capacity Manual operational (delay-based) level of service standard.
 - Red policy areas are exempt from motor vehicle adequacy and mitigation.
- Mitigation Priorities:
 1. Transportation demand management (TDM)
 2. Traffic operational changes
 3. Roadway traffic capacity improvements, but only if they do not negatively impact safety.
- **Recommendation:** No changes are recommended.

3. Standardize the Transportation Tests

d. Pedestrian Adequacy Test

- Three components:
 - Pedestrian Level of Comfort (PLOC) score
 - Illuminance and street light standards
 - American Disabilities Act (ADA) Compliance
- Applicant evaluates and mitigates to meet standards.



3. Standardize the Transportation Tests

d. Pedestrian Adequacy Test

Recommendation:

- Standardize study areas using the current yellow/green policy area extents.
- Develop peak-hour vehicle trip thresholds for study area.
- Remove footnotes limiting the extent of improvements.

Current Pedestrian Adequacy Test Scoping Table (2020-2024 GIP)

Peak-Hour Person Trips Generated	Walkshed by Policy Area	
	Red and Orange	Yellow and Green
50 – 99	400'	250'
100 – 199	750'	400'
200 – 349	900'	500'
350 or more	1,000'	600'

Max. length of sidewalk and streetlighting improvements beyond frontage = 4x
Max. span for ADA improvements beyond the frontage = 1/2x*

3. Standardize the Transportation Tests

e. Bicycle Adequacy Test

- Applicant evaluates right-of-way with master plan-recommended bikeways within a certain distance of the site.
- Mitigates by creating or extending Level of Traffic Stress 2 (LTS-2) conditions, consistent with the Bicycle Master Plan.



3. Standardize the Transportation Tests

e. Bicycle Adequacy Test

Recommendation:

- Standardize study areas using the current red/orange policy area extents.
- Develop peak-hour vehicle trip thresholds for study area.

Current Bicycle Adequacy Test Scoping Table
(2020-2024 GIP)

Peak-Hour Person Trips Generated	Red and Orange Policy Areas	Yellow and Green Policy Areas
50 – 99	400'	250'
100 – 199	750'	400'
200 – 349	900'	500'
350 or more	1,000'	600'

3. Standardize the Transportation Tests

f. Bus Transit Adequacy Test

- Applicant ensures bus stops are outfitted with shelters, displays, and other standard amenities, along with an accessible path between the site and a bus stop.
- Green policy areas are exempt.



3. Standardize the Transportation Tests

f. Bus Transit Adequacy Test

Recommendation:

- Remove green policy area exemption.
- Retain ADA bus stop pad and refer applicant to published MCDOT guidelines - when available - for shelters and amenities.
- Remove limit on number of shelters.
- Develop peak-hour vehicle trip thresholds for study area.

Current Bus Transit Adequacy Test Scoping Table (2020-2024 GIP)

Peak-Hour Person Trips Generated	Max. # of Shelters		Distance from Site
	Red and Orange	Yellow	
50 – 99	2	1	500'
100 – 199	2	2	1,000'
200 – 349	3	2	1,300'
350 or more	4	3	1,500'

4. Modify the Proportionality Guide Calculation

- Introduced in 2022 to address concerns about disproportionate and unpredictable mitigation costs.
 - It has made costs more predictable, but it continues to generate disproportionate and excessive costs for some projects.
 - Needs further evaluation to ensure it appropriately accounts for relative impacts.

Current Calculation (2023 LATR Guidelines)

$$\begin{aligned} &\text{Proportionality Guide Calculation} \\ &= \\ &\text{Full extent of development} \\ &\times \\ &\text{Orange policy area impact tax rate} \\ &\times \\ &\text{Policy area non-auto driver mode} \\ &\text{share (NADMS) goal metric} \end{aligned}$$

4. Modify the Proportionality Guide Calculation

- **Recommendations:**
- Develop a new formula as part of the LATR update.
- New calculation would multiply net new development by a trip-based policy area rate.
 - Net new development is total development minus existing use.
 - Trip-based policy area rate, based on impact tax, standardizes the cost of a trip by land use.

Proposed Calculation (2025 LATR Guidelines)

$$\begin{array}{c} \text{Proportionality Guide Calculation} \\ = \\ \text{Net new development} \\ \times \\ \text{Trip-based Policy Area Rate} \end{array}$$

5. Align LATR Exemptions with County Policies

Affordable Housing:

- Transportation mitigation payments are waived for affordable housing units under current GIP.
- Policy favors construction, allowing payments only in exceptional cases.
- Affordable housing projects only receive relief if desired improvements are infeasible and thus not constructible.



Recommendation:

- Exempt affordable housing units from off-site mitigation construction.

5. Align LATR Exemptions with County Policies

Multifamily units with three or more bedrooms:

- *Thrive Montgomery 2050* recommends enacting policies that encourage the construction of housing units in multifamily buildings suitable for households with children.

Recommendation:

- Exempt 3+ bedrooms from off-site mitigation construction and payment.



5. Align LATR Exemptions with County Policies

Daycare:

- LATR studies are a significant burden on a greatly needed land use.
- Many of the trips are pass-by and, therefore, already captured on the road system.
- Site access and circulation are covered by other code requirements.
- **Recommendation:**
- Exempt daycares from the requirement to complete an LATR study.



5. Align LATR Exemptions with County Policies

Bioscience:

- Current exemption expires in January 2025.
- Enables faster approval of facilities supporting research, development or manufacturing.
- Building permit must be filed within three years of plan approval.

Recommendation:

- Extend exemption to January 2029.



6. Revise Impact Tax Credit to Align with County Policies

- Developer-built improvements may receive impact tax credits if they reduce traffic demand or increase transportation capacity.
- In practice, only improvements enhancing regional transportation capacity receive credit.
- **Not eligible:** Many pedestrian and bicycle projects and safety projects such as traffic signals; improvements along state-owned roads.



6. Revise Impact Tax Credit to Align with County Policies

Recommendations:

- Update the code to provide more clarity.
- Expand availability of credits to cover more projects improving transportation adequacy and safety.
- Allow credits for improvements on state roadways.
- Create a fairer and more equitable development process.



7. Clarify SHA's Expectations in the LATR Process

- MDOT-SHA reviews proposed development projects and provides valuable feedback.
- MDOT-SHA's review timeline and traffic analysis requirements don't align with the County's.
- Creates uncertainty and unpredictability in the development process.



7. Clarify SHA's Expectations in the LATR Process

Recommendations:

- Clarify mutual expectations, particularly in red policy areas.
- Include standard parameters for Synchro and SimTraffic modeling in the LATR Guidelines.



8. Create Repository for Fee-In-Lieu Payments

- Developers can pay a fee in lieu of construction when LATR mitigation projects are impracticable.
- Payments collected must be spent on similar improvements within the same policy area (or an adjacent one for red policy areas and orange town centers).
- Small amounts of money attached to discrete areas make tracking, budgeting, and spending impossible.



8. Create Repository for Fee-In-Lieu Payments

Recommendations:

- Continue to limit the collection of fee-in-lieu payments.
- Explore options to group the funds with others for a more meaningful impact:
 - Capital budget projects for each policy area.
 - Capital budget project for LATR participation to extend developer-built off-site improvements

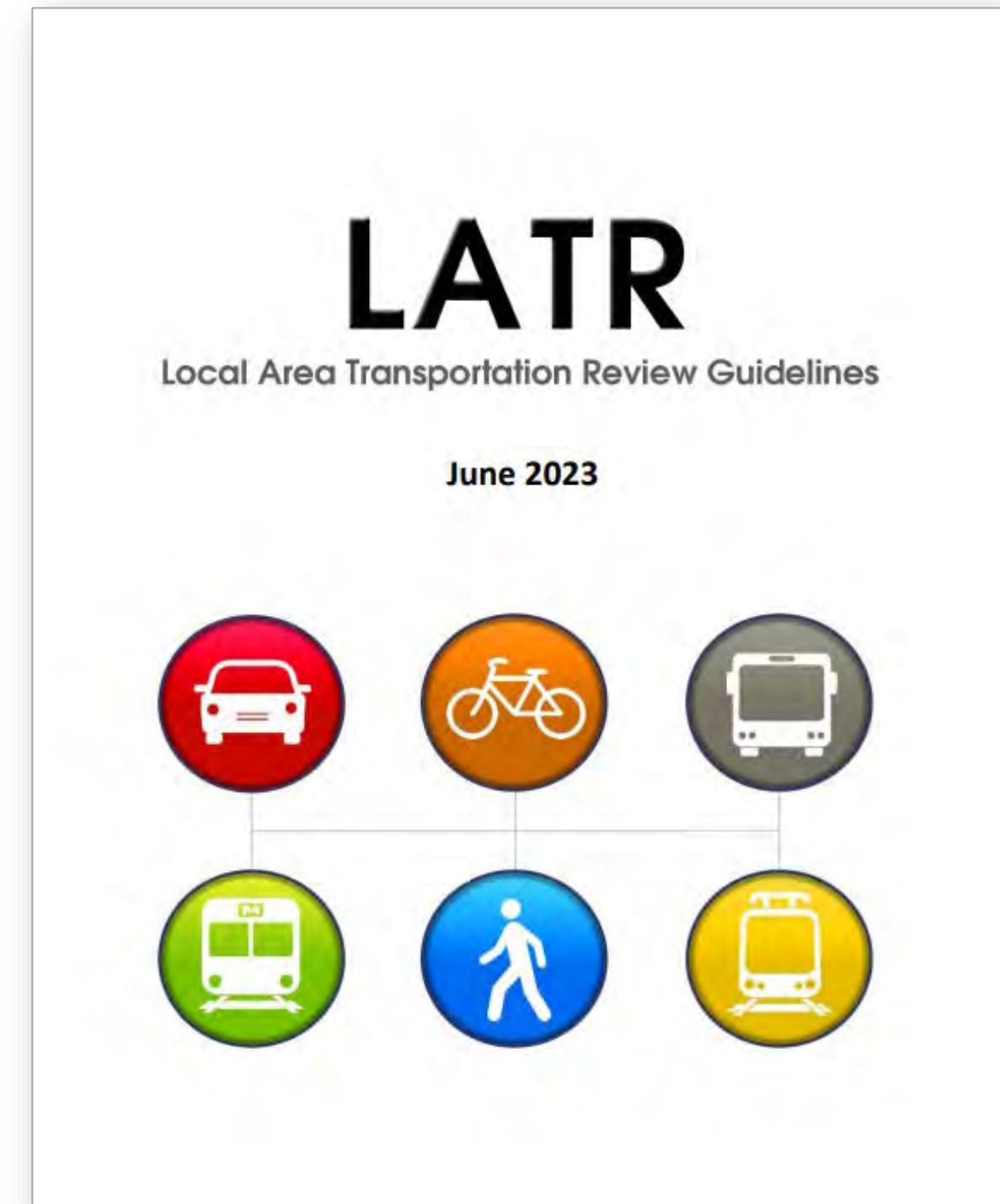


9. Update the LATR Guidelines

- After several updates, the guide is difficult to follow in places.
- Lacks explicit direction for some common challenges, adding uncertainty and delay to the process.

Recommendation:

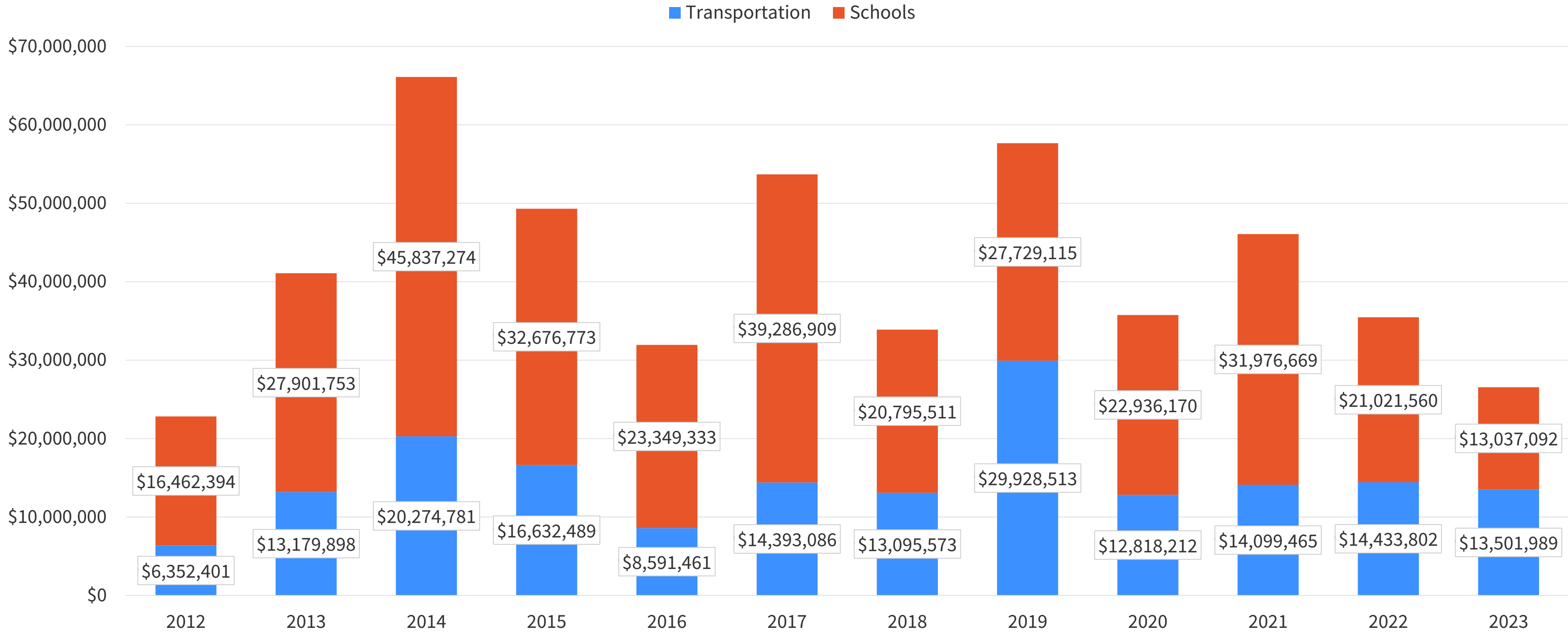
- Reorganize and update the LATR Guidelines with clarity and ease of use in mind.



Impact Tax

Preliminary Recommendations

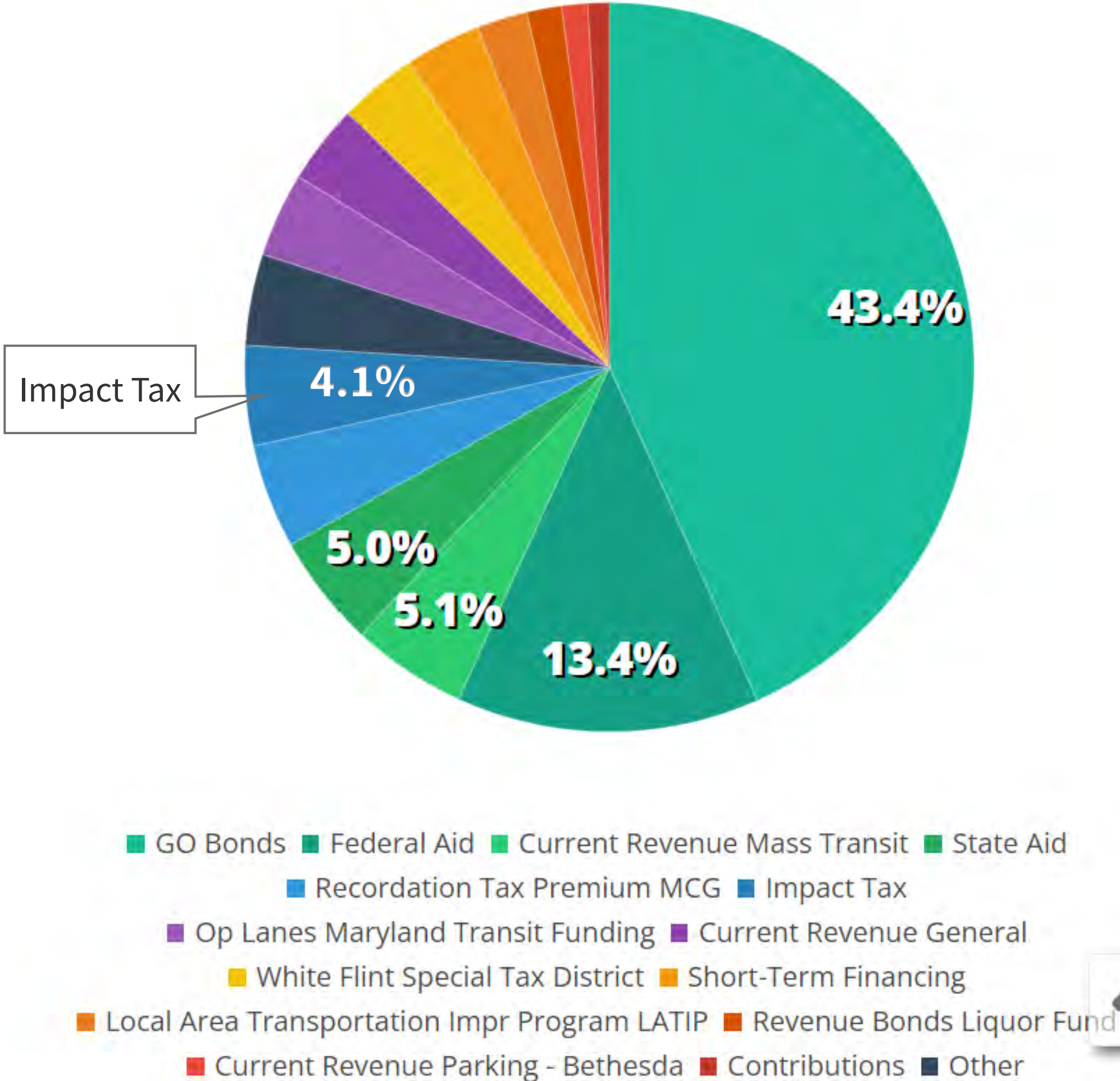
Total Impact Tax Revenues in Montgomery County



Transportation Funding Sources

FY24 Approved Capital Budget

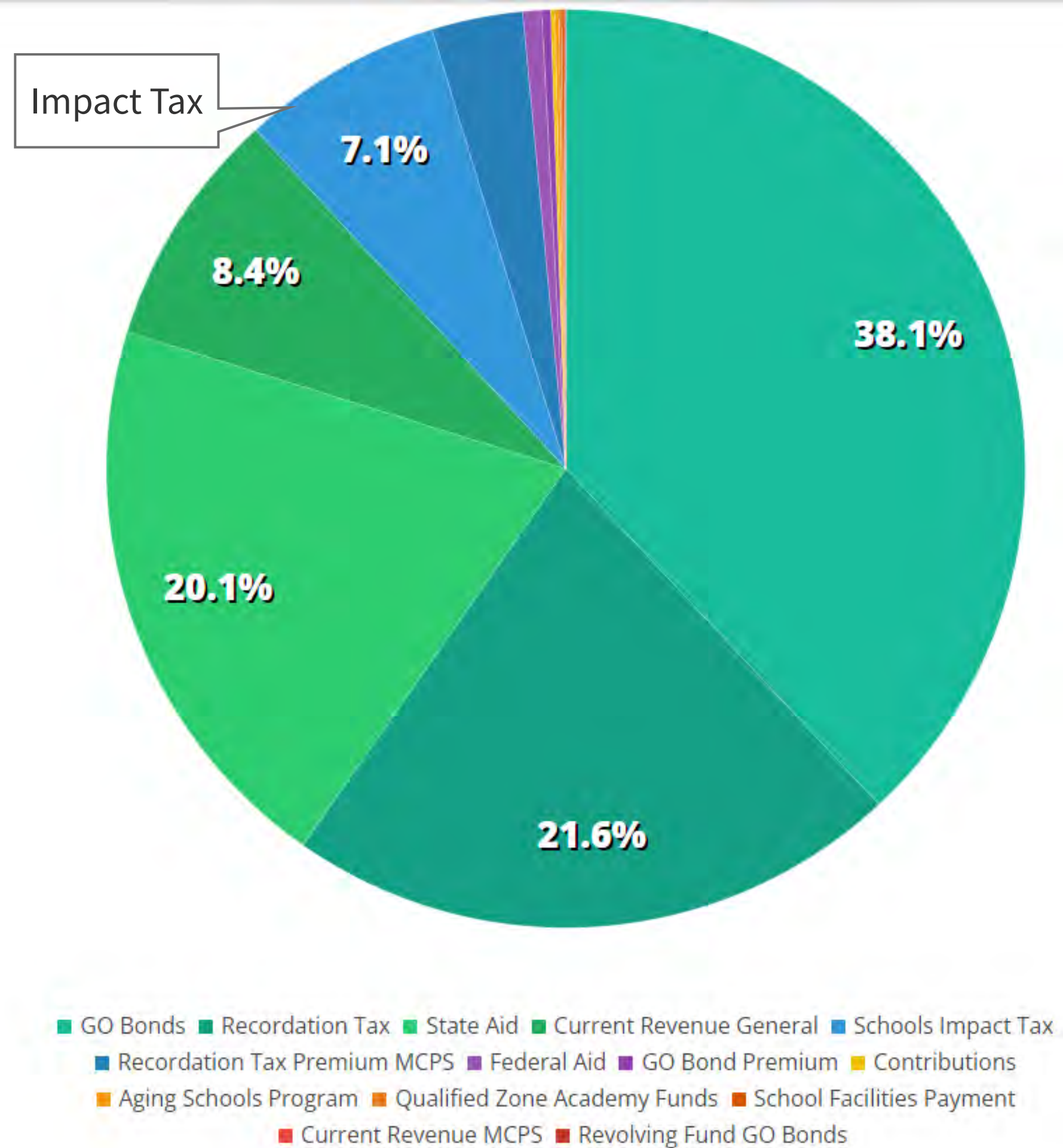
\$4.575 B
6-year total



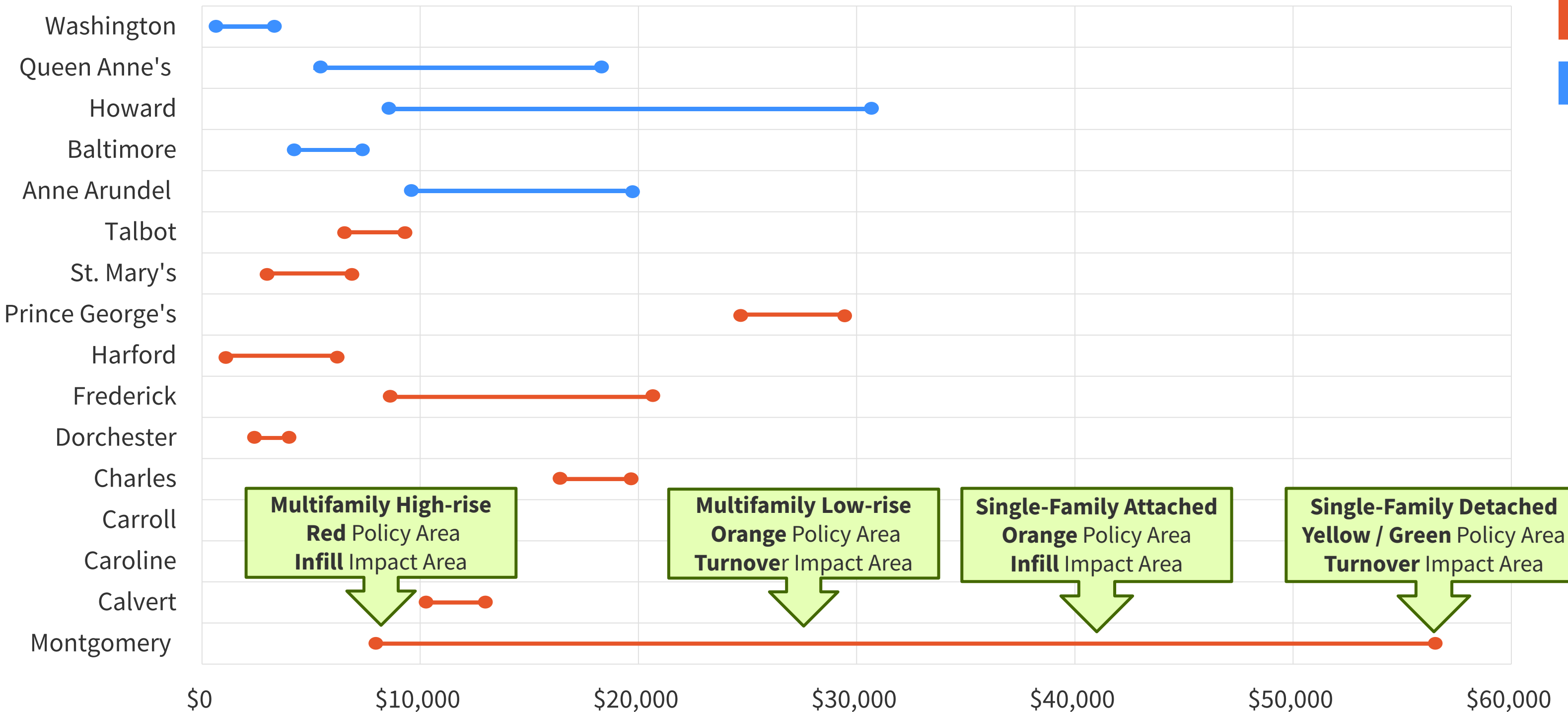
MCPS Funding Sources

FY24 Approved
Capital Budget

\$4.575 B
6-year total



Total Development Fee Range by County (Per Unit)



Multifamily High-rise
Red Policy Area
Infill Impact Area

Multifamily Low-rise
Orange Policy Area
Turnover Impact Area

Single-Family Attached
Orange Policy Area
Infill Impact Area

Single-Family Detached
Yellow / Green Policy Area
Turnover Impact Area

*The graphs do not show any waivers and/or discounts related to affordable housing, Senior housing, Enterprise Zones, Opportunity Zones, or Desired Growth and Investment Areas.

1. Calculation of School Impact Taxes

- Before 2016, schools impact taxes were calculated at 90% of the cost of a student seat – given that there were school facility payments at the time.
- In 2016, with the removal of school facility payments, impact taxes were calculated at 120% of the cost of a seat.
- In 2020, with the creation of Utilization Premium Payments, the 120% cost of a student seat calculation was lowered to 100%.

1. Calculation of School Impact Taxes

- **Recommendation:** With a recommendation of continued use of Utilization Premium Payments for schools identified as overcrowded, the calculation should remain at a 100% cost of a seat.



2. Cap and Carryover System

- In 2023, Bill 25-23E was passed in response to anticipated higher than usual biennial impact tax adjustments.
 - For both transportation and schools, the biennial tax rate adjustment cannot exceed 20%.
 - If it does exceed 20%, then the excess dollar amount must be carried over and added to the tax rate before calculating the next update.

2. Cap and Carryover System

- **Recommendation:** Keep the cap and carryover system, as its implementation is relatively new and will help soften any anticipated upward adjustments.



3. Calculation by Square Foot

- Currently, impact tax fees are charged on a per-unit basis, with no distinction for unit size.
- Recently, the county has prioritized the production of smaller homes as a way to provide more entry-level homes.
- Right now, a detached home at 5,000 square feet pays the same impact tax fees as a 2,000 square-foot detached home.



3. Calculation by Square Foot

- **Recommendation:** Consider calculating residential Impact Taxes by square foot instead of per unit for attached and detached units.

	Single Family Detached			Single Family Attached		
	Rate by unit	Median Size (square feet)	Proposed Rate by Square Foot	Rate by unit	Median Size (square feet)	Proposed Rate by Square Foot
Infill	\$25,004	5,600	\$4.47	\$21,664	2,500	\$8.67
Turnover	\$26,084	5,600	\$4.66	\$29,456	2,500	\$11.78
Red	\$9,663	5,600	\$1.73	\$7,905	2,500	\$3.16
Orange	\$24,151	5,600	\$4.31	\$19,761	2,500	\$7.90
Yellow	\$30,190	5,600	\$5.39	\$24,702	2,500	\$9.88
Green	\$30,190	5,600	\$5.39	\$24,702	2,500	\$9.88

4. New Impact Tax Category

- The Planning Board is currently reviewing the Attainable Housing Strategies initiative report, which will make it easier to build housing types beyond the typical single-family attached, detached, and multifamily high-and-low-rise structures.
- Relatedly, 2-over-2s/stacked flats are becoming increasingly common in the county.
- Our Zoning Ordinance classifies them as multifamily low-rise structures, and for calculating student generation rates, they are classified as such.
- However, the SGRs resemble the typical single-family attached unit.

4. New Impact Tax Category

- **Recommendation:** Create a new impact tax category for housing types between Single Family Attached and Multifamily Low. This potential category rate could be calculated using SGR data for stacked flats/2-over-2s.

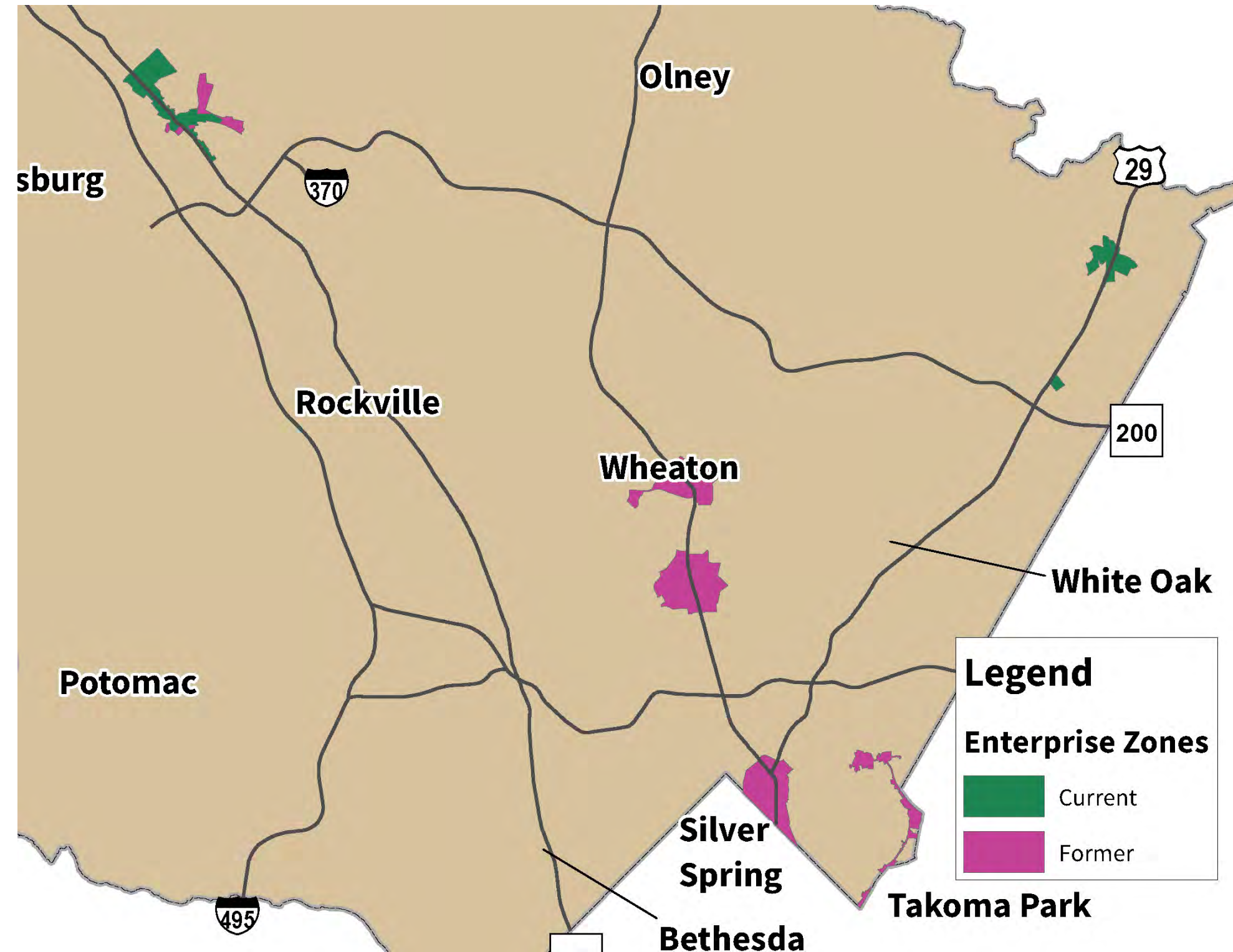


5. Enterprise Zone Exemption

- The Maryland Enterprise Zone program designates areas of the state meeting certain requirements as targets for employment growth.
- Property tax credits are also available for businesses that hire new employees or invest in capital improvements.
- The state's designation of Enterprise Zone designations expires after ten years.
- As the County Council phased out the former Enterprise Zone designation in the 2020 GIP, the exemption remains for only current Enterprise Zones, which are only located in two areas of the county now (Olde Towne Gaithersburg and Burtonsville).
- Both Enterprise Zones will expire by 2028.

5. Enterprise Zone Exemption

- **Recommendation:** Eliminate the current Enterprise Zone impact tax exemption.
- Add legacy provision language for projects that may have an approved application but have not yet gone to building permit.

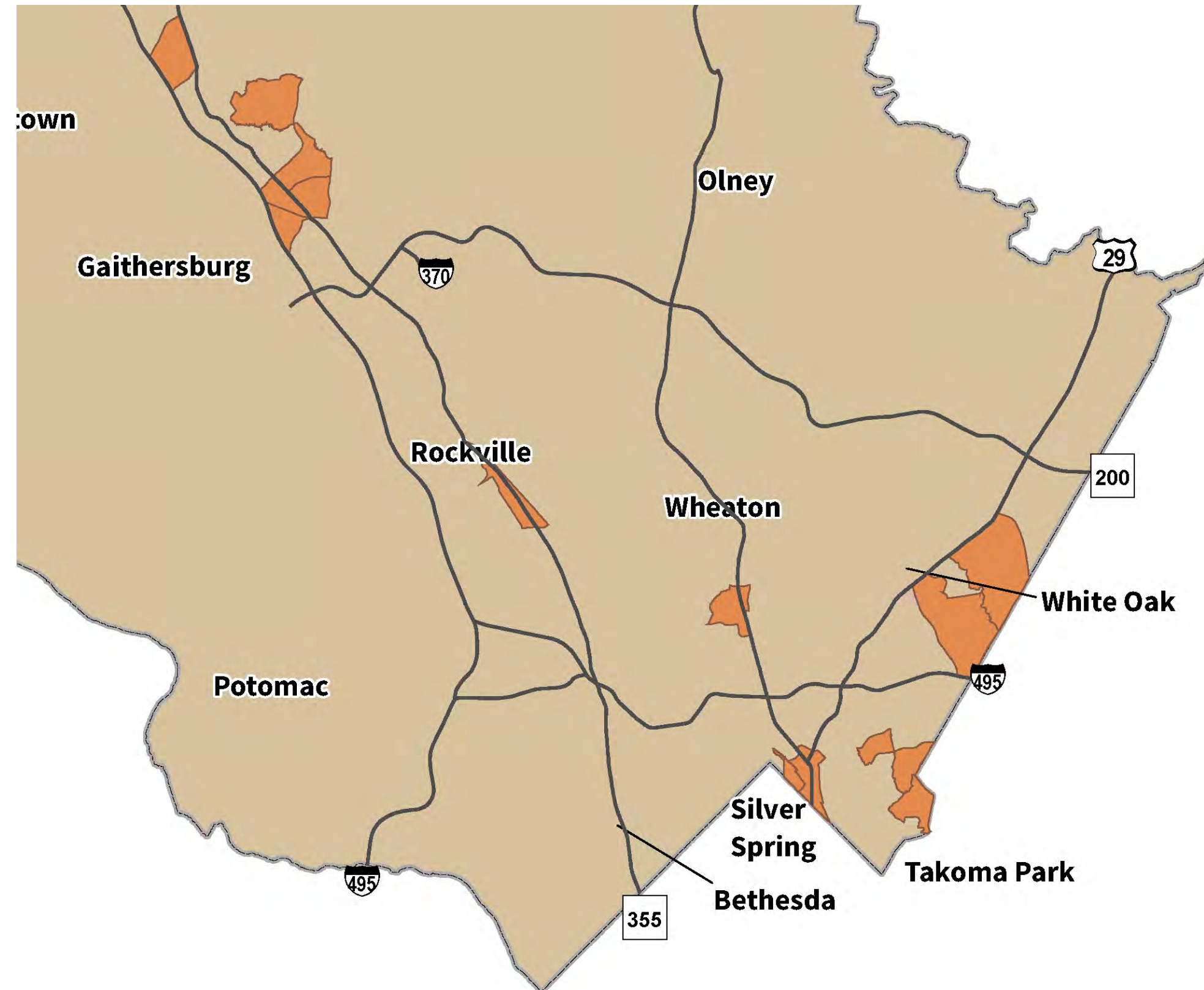


6. Opportunity Zone Exemption

- An Opportunity Zone is an economically distressed community where private investments may be eligible for capital gains tax incentives.
- The program requires state-nominated areas to be certified by the U.S. Treasury Department.
- Fourteen census tracts in the county have been certified as Qualified Opportunity Zones.
- The designations remain for ten years, until 2028.
- This exemption does not apply in the city of Rockville.

6. Opportunity Zone Exemption

- **Recommendation:** Keep the exemption for Opportunity Zones to support the county's economic development goals.
- Add legacy provision language for projects that may have an approved application but have not yet gone to building permit by the time the program ends in 2028.

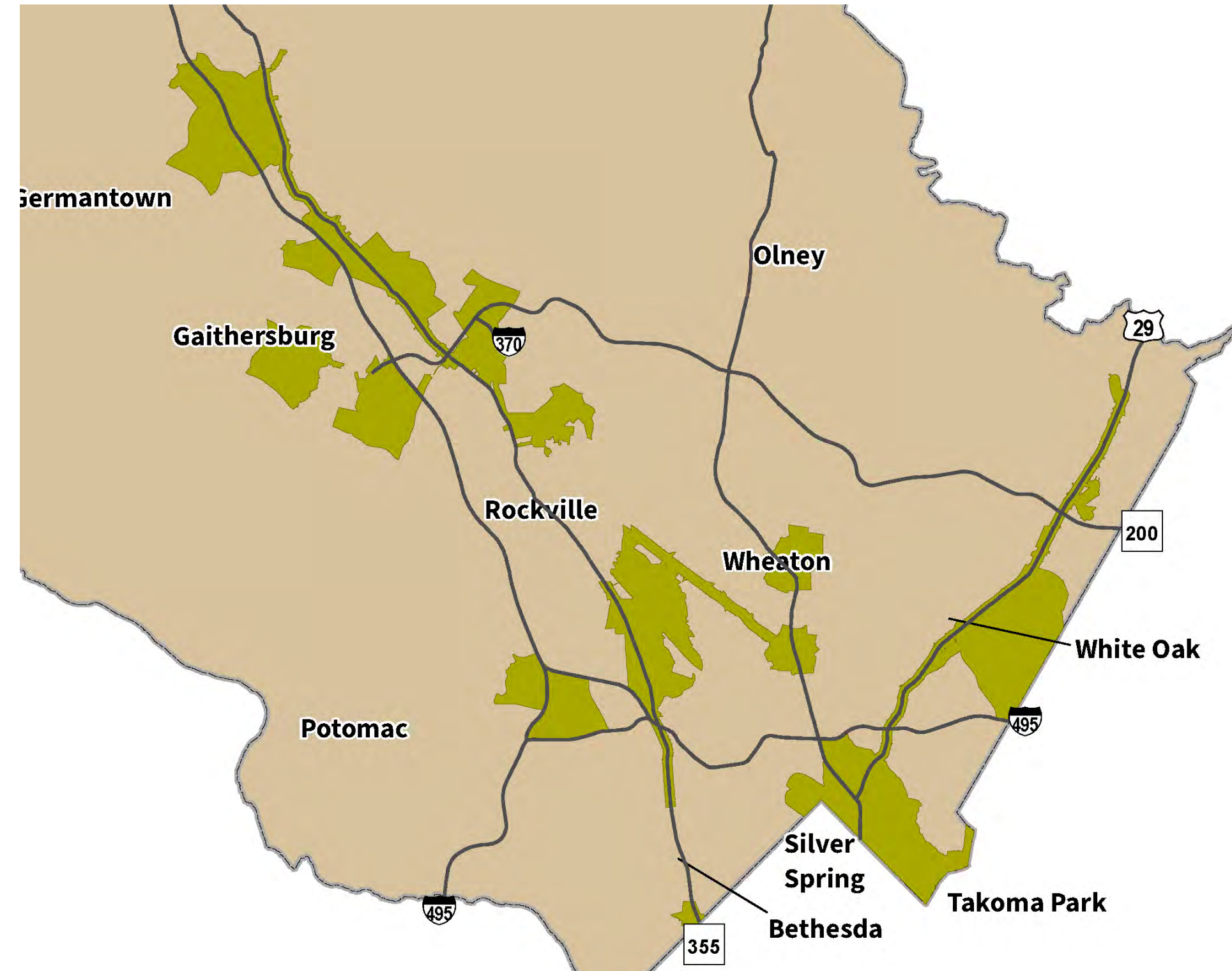


7. Desired Growth and Investment Areas

- Desired Growth and Investment Areas include specific Metropolitan Washington Council of Governments (MWCOCG) designated Activity Centers and a 500-foot buffer around existing and specific planned bus rapid transit (BRT) lines.
- DGIsAs give a 40% transportation impact tax discount for orange policy areas and 32% discount for yellow policy issues.
- Created in the 2020-2024 GIP update.

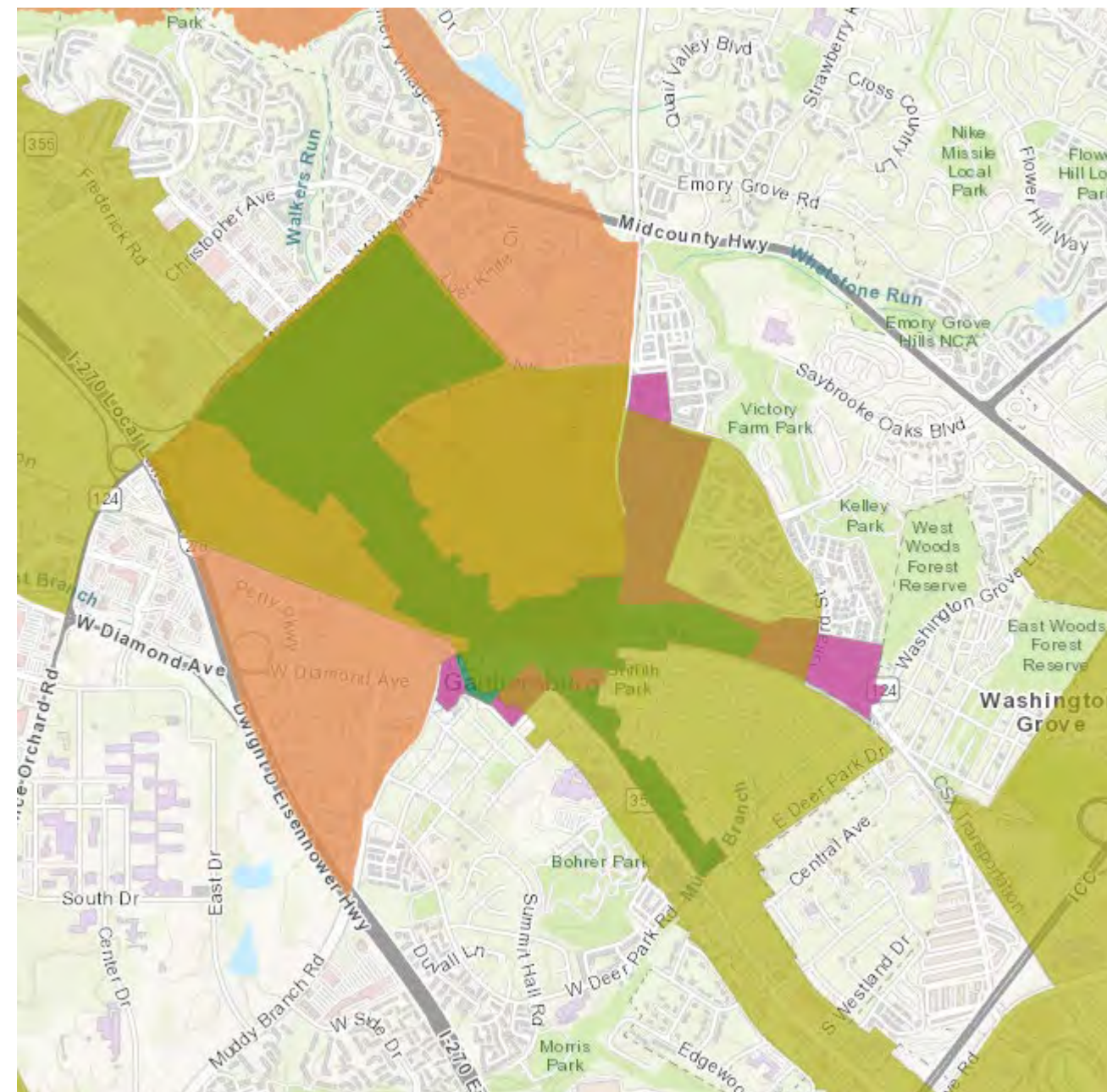
7. Desired Growth and Investment Areas

- **Recommendation:** Remove this exemption as it is another boundary related to the GIP that complicates the policy.
- Add legacy provision language for projects that may have an approved application but have not yet gone to building permit.



City of Gaithersburg Comments

“Removal of exemptions for designated Enterprise Zones or Desired Growth and Investment Areas will have a disproportionate impact on the City of Gaithersburg affecting its employment centers, currently designated Infill Impact Areas, and Equity Emphasis Areas.”



8. 25% MPDU Exemption

- In 2017, Expedited Bill 36-17 was passed, which allowed projects that provide 25% affordable units to have all their impact taxes exempt for all units in the project (including market rate).
- In the 2020 GIP, the exemption was altered in two ways:
 - The affordable units were required to be in the MPDU program (which has a longer control period than many other affordable programs).
 - The exemption was changed from a 100% exemption countywide to either an exemption or partial waiver equal to the lowest possible standard impact tax rate for unit type by policy area and school impact area.

8. 25% MPDU Exemption

- Recommendation:** Keep the exemption for a discount/full exemption for projects that provide 25% MPDUs. Keep the exemption or waiver equal to the lowest possible standard impact tax rate for unit type.

	Multifamily High Rise		
	<i>Impact Tax</i>	<i>Exemption</i>	<i>To Pay</i>
Infill	\$3,739	\$3,739	\$0
Turnover	\$6,073	\$3,739	\$2,334

	Multifamily High Rise		
	<i>Impact Tax</i>	<i>Exemption</i>	<i>To Pay</i>
Red	\$4,390	\$4,390	\$0
Orange	\$10,976	\$4,390	\$6,586
Yellow	\$13,720	\$4,390	\$9,330
Green	\$13,720	\$4,390	\$9,330

9. Three Bedrooms Exemption

- Currently, a three-bedroom multifamily dwelling in an Infill Impact Area pays impact taxes at 40% of the otherwise applicable rate.
- The county has prioritized building these units in the past, desiring more family-friendly units, especially in high-rise buildings.
- According to CoStar, only around 929 three-bedroom units (roughly 4% of all rental housing units) have been built since 2013 in rental projects.
- *Thrive Montgomery 2050* recommends enacting policies that encourage the construction of housing units in multifamily buildings suitable for larger households. This will help increase the amount and variety of housing in the county.

9. Three Bedrooms Exemption

- **Recommendation:** Modify the exemption to fully waive impact taxes for three-bedroom units in multifamily structures.



10. Office-to-Residential Conversions

- Currently, office-to-residential conversions get a credit for the office use against their new residential impact taxes.
- The county has a high office vacancy rate, and converting offices to residential is difficult and expensive.



10. Office-to-Residential Conversions

- **Recommendation:** Given the high office vacancy rate and how expensive it is to convert, exempt office-to-residential conversions from impact taxes.

Original Office Impact Taxes	
Building GFA	200,000
Transportation Impact Tax Rate (Orange)	\$22.10
Total Impact Taxes	\$ 4,420,000
Office-to-Residential Conversion Impact Taxes	
# of Market Rate Units Converted	175
Transportation Impact Tax Rate (MFL/Orange)	\$15,366
Turnover Impact Area (MFL/Turnover)	\$13,625
Transportation Impact Tax	\$2,689,050
School Impact Tax	\$2,384,375
Total Impact Taxes	\$5,073,425
Waived Office-to-Residential Conversion Impact Taxes	
	\$653,425

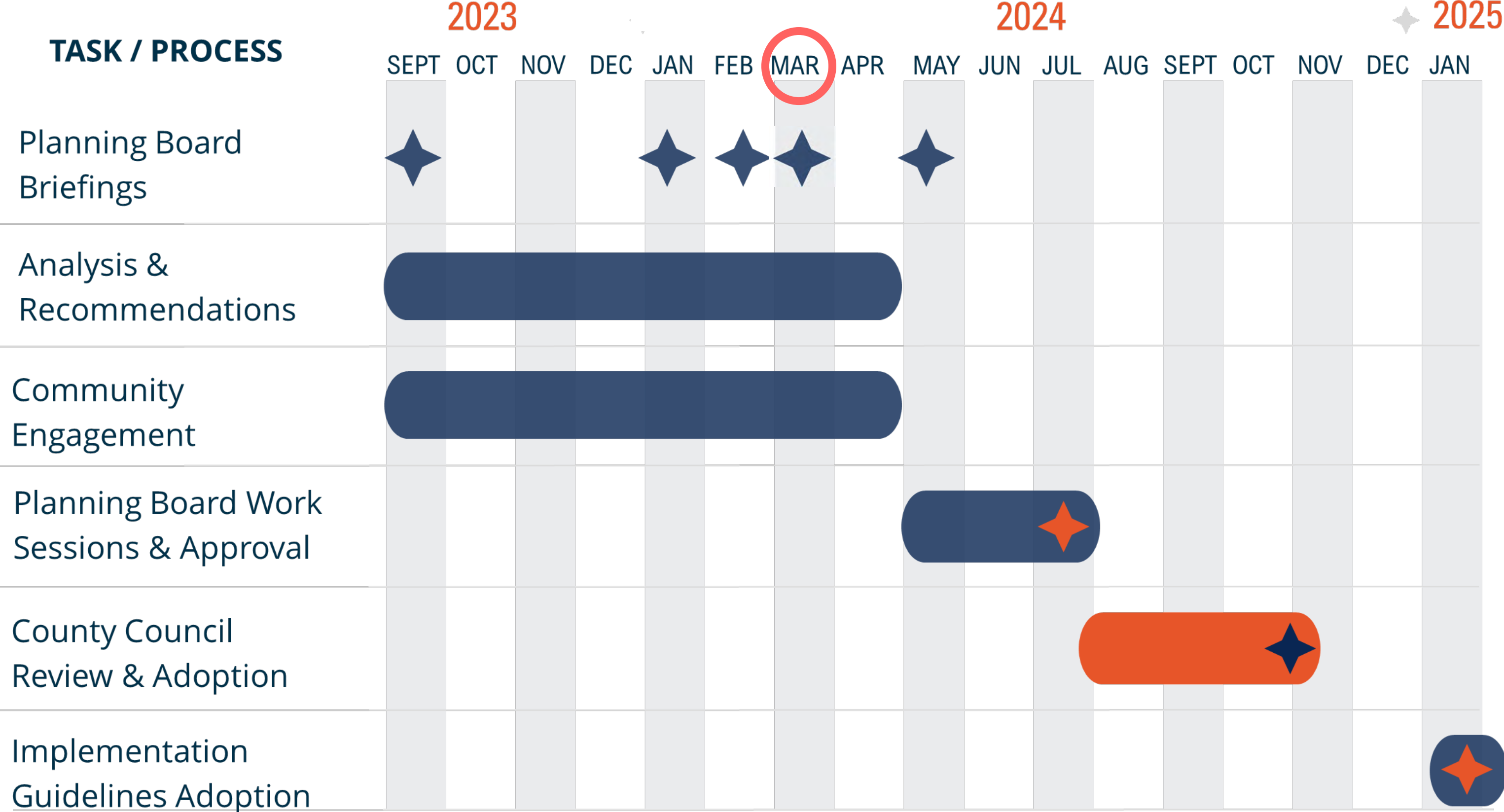
11. Bioscience Exemption

- The county has exempted bioscience from paying impact taxes for nearly twenty years, expiring on January 1, 2025.
- **Recommendation:** The exemption should be extended until January 1, 2029.



Next Steps

Project Schedule



Upcoming Milestones

- **May 2:** Growth and Infrastructure Policy Working Draft Posted
- **May 9:** Planning Staff briefs the Planning Board on the Working Draft
- **May 23:** Growth and Infrastructure Policy Public Hearing

Community Meeting

- Tuesday, March 19, 2024, from 6:00 PM to 8:00 PM on Microsoft Teams.
- Staff will provide an overview of the Growth and Infrastructure Policy preliminary recommendations.
- [RSVPs required](#)