



Montgomery Planning | Countywide Planning and Policy

02/27/2024

# Schools Technical Advisory Team

## Meeting #4





# Agenda

- Preliminary Recommendations for 2024 GIP | [110 minutes](#)
  - Schools
  - Impact Taxes
- Next Steps | [10 minutes](#)

# Goals



# Goals of GIP Update

- Proportionality
- Predictability
- Transparency
- Effectiveness
- Alignment with County Priorities

# County Priorities

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

# Feedback

- **Boundaries:** A desire to simplify the number of boundaries.
- **Utilization Premium Payments:** There are concerns that the funds collected will not be able to be used effectively.
- **Impact Fees:** Impact fees are too high and can hinder sorely needed housing projects but are also not enough to meet the capital needs.

# Preliminary Schools Recommendations

# Preliminary Schools Recommendations

## Summary

1. Align School Impact Area boundaries with proposed Transportation Policy Area boundaries.
2. Adjust Annual School Test seat deficit thresholds to reflect MCPS' classroom addition thresholds.
3. Allow use of Utilization Premium Payment funds for capacity projects at adjacent schools/clusters
4. Continue calculating Multi Family Student Generation Rates based on structures built in 1990 or later.
5. Create an alternative Student Generation Rate category for attainable housing unit types.
6. Monitor the enrollment of pre-kindergarten students while MCPS rolls out Early Childhood initiatives under Blueprint for Maryland's Future Act.



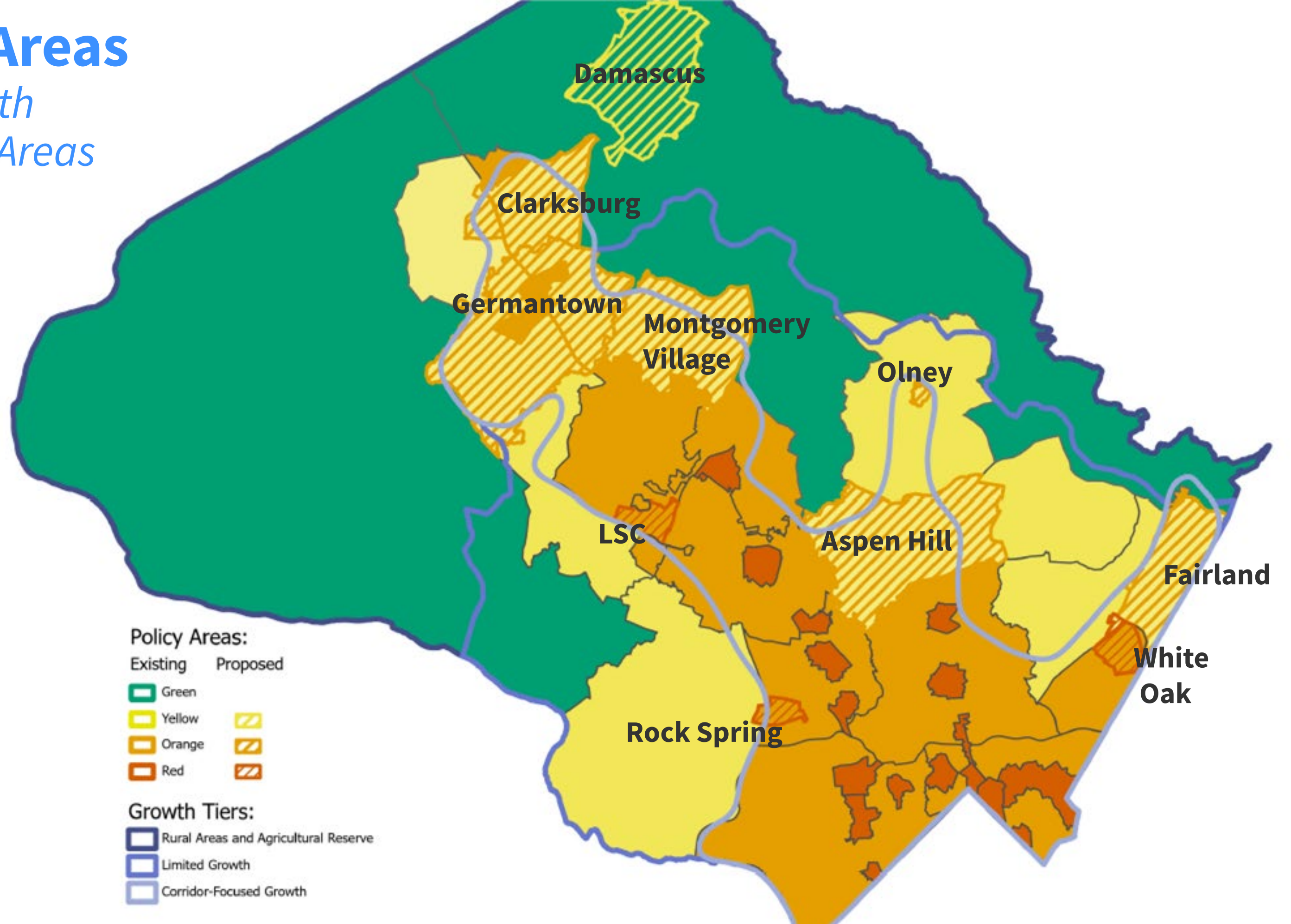
# School Impact Area

## 1. *Align boundaries with Transportation Policy Areas*

- **Background:** The 2020 GIP introduced School Impact Areas, classifying areas of the County into Infill, Turnover, or Greenfield based on their housing and enrollment growth context.
- **Issue:** The number of conflicting boundaries make it difficult for applicants and the community to understand the full implications of the policy.
- **Recommendation:** Modify School Impact Area boundaries to align with Transportation Policy Areas.

# School Impact Areas

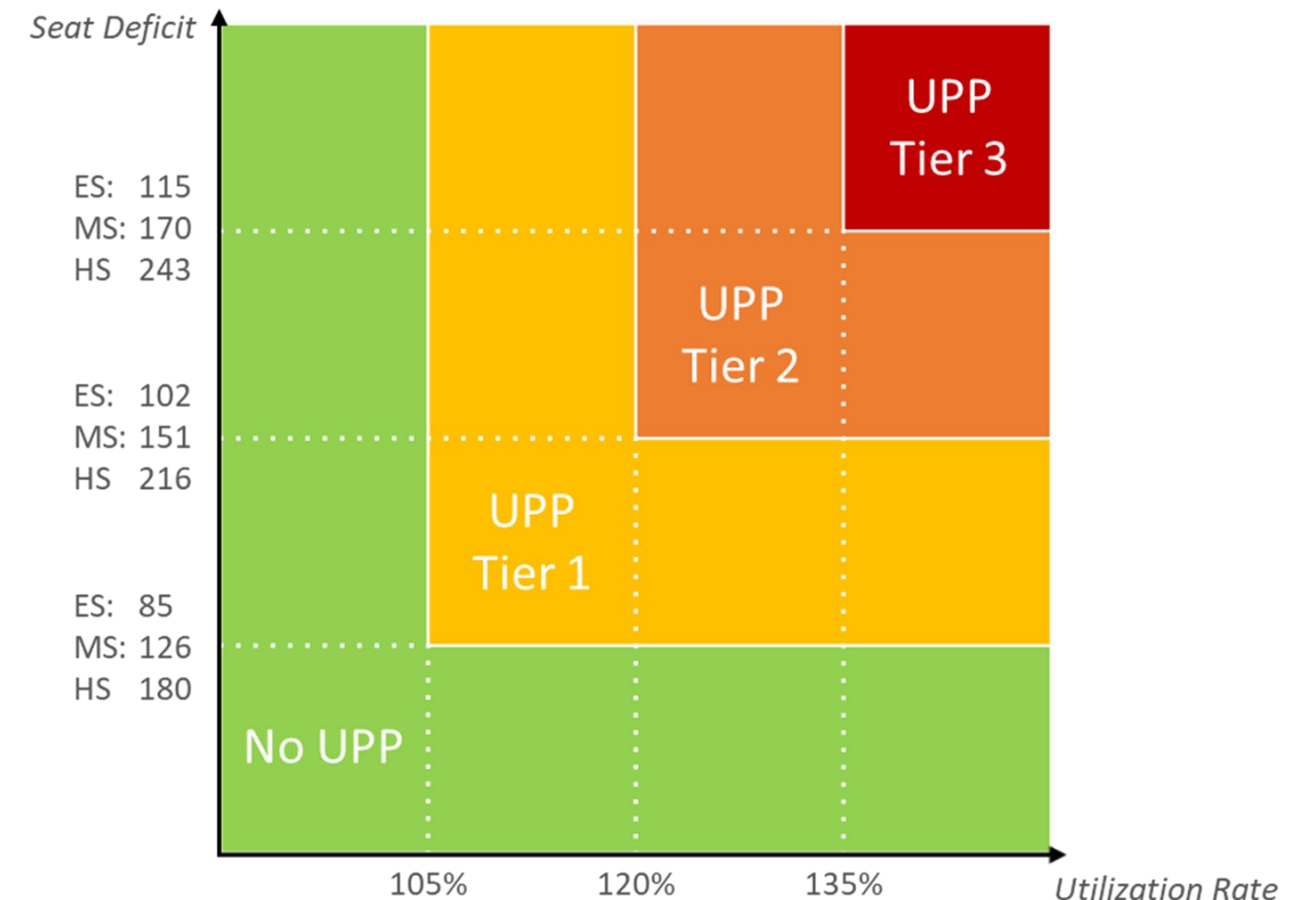
1. Align boundaries with Transportation Policy Areas



# Annual School Test

## 2. Adjust seat deficit thresholds to reflect MCPS' classroom addition thresholds.

- **Background:** The current AST evaluates each school's capacity utilization rate and seat deficit projected for 4 school years in the future against a set of thresholds for each school level and establishes the adequacy status of the school service area for the entirety of the fiscal year accordingly.
- **Issue:** The current seat deficit thresholds do not align with MCPS' classroom addition thresholds, nor can be recreated by a predictable standard or formula.
- **Recommendation:** Adjust seat deficit thresholds to either Option A (overall decrease) or B (overall increase).





# Annual School Test

## 2. Adjust seat deficit thresholds to reflect MCPS' classroom addition thresholds.

- **Option A:** Aligns the seat deficit threshold for a Tier 2 UPP, which has a 120% utilization rate threshold, with MCPS' classroom addition thresholds, and offsets the Tier 1 and Tier 3 thresholds by  $\pm 15\%$ . Overall decreases the thresholds.
- **Option B:** Aligns the seat deficit threshold for a Tier 2 UPP to MCPS' classroom addition threshold  $\times 1.2$ , which is the same threshold that was used for individual schools under the previous moratorium policy, and offsets the Tier 1 and Tier 3 thresholds by  $\pm 25\%$ . Overall increases the thresholds.

	Current			MCPS Threshold (x)	Option A			Option B		
	Tier 1	Tier 2	Tier 3		Tier 1 (0.85x)	Tier 2 (1.0x)	Tier 3 (1.15x)	Tier 1 (0.9x)	Tier 2 (1.2x)	Tier 3 (1.5x)
ES	85	102	115	92	78	<b>92</b>	106	83	<b>110</b>	138
MS	126	151	170	150	128	<b>150</b>	173	135	<b>180</b>	225
HS	180	216	243	200	170	<b>200</b>	230	180	<b>240</b>	300



# Annual School Test

2. Adjust seat deficit thresholds to reflect MCPS' classroom addition thresholds.

## Preliminary FY25 AST Results – Current vs. Option A vs. option B.

- Option A will not change the UPP Tier placement of school service areas.
  - Tier 1 UPP – Argyle MS
  - Tier 2 UPP – Arcola ES, Burning Tree ES, Cashell ES, Flower Valley ES, Lake Seneca ES, Thurgood Marshall ES
- Option B changes the following 3 school service areas from Tier 2 to Tier 1.
  - Cashell ES, Lake Seneca ES, Thurgood Marshall ES
- The adequacy ceilings for each school will change nominally, which may have potential implications for projects in school service areas with low ceilings.

School with Lowest Adequacy Ceiling	Adequacy Ceiling to Next UPP Tier		
	Current	Option A	Option B
ES (New Hampshire Est./Oak View, Sargent Shriver)	8	1	6
MS (John T. Baker)	16	18	25
HS (Churchill)	38	28	38

# Utilization Premium Payment

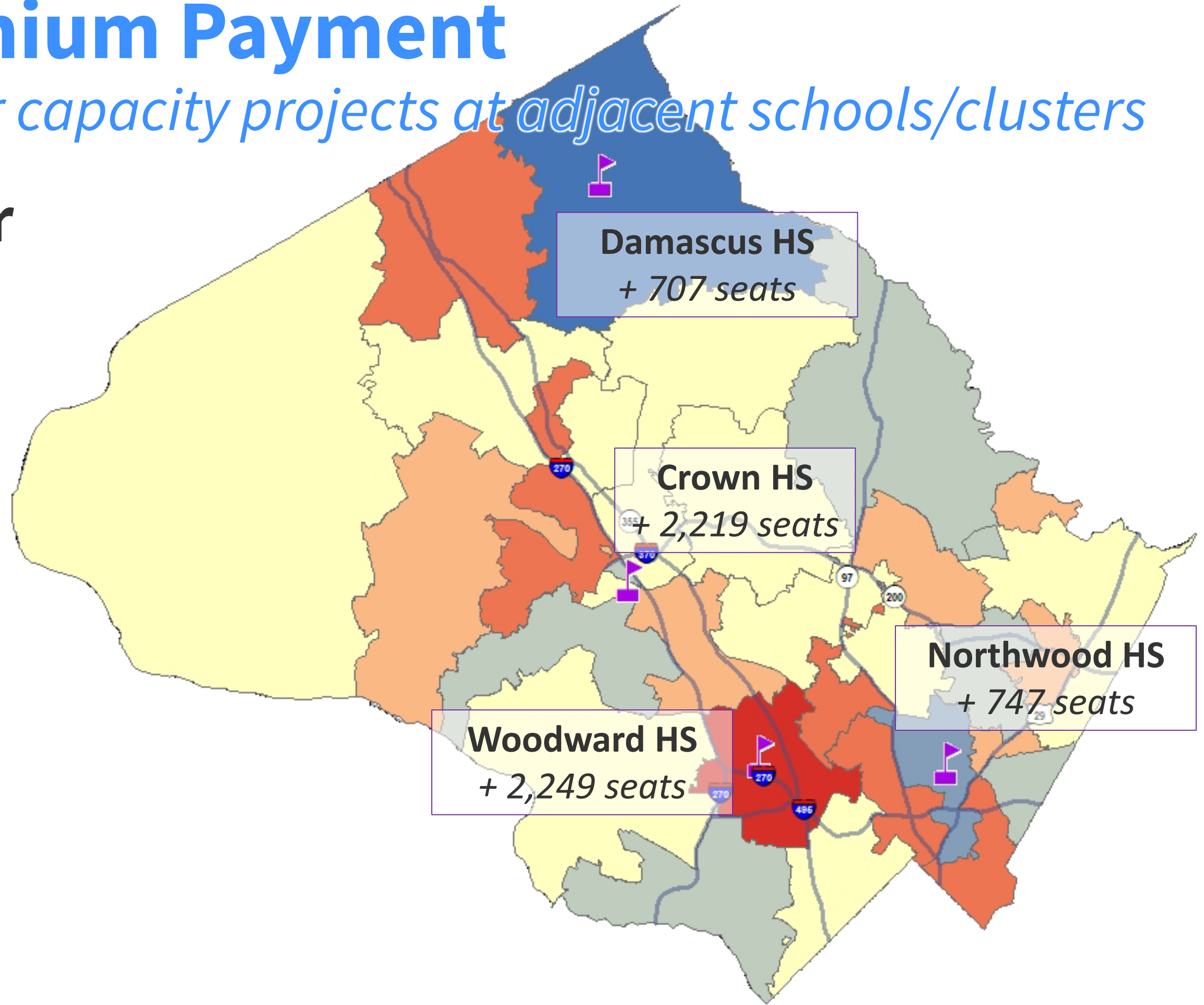
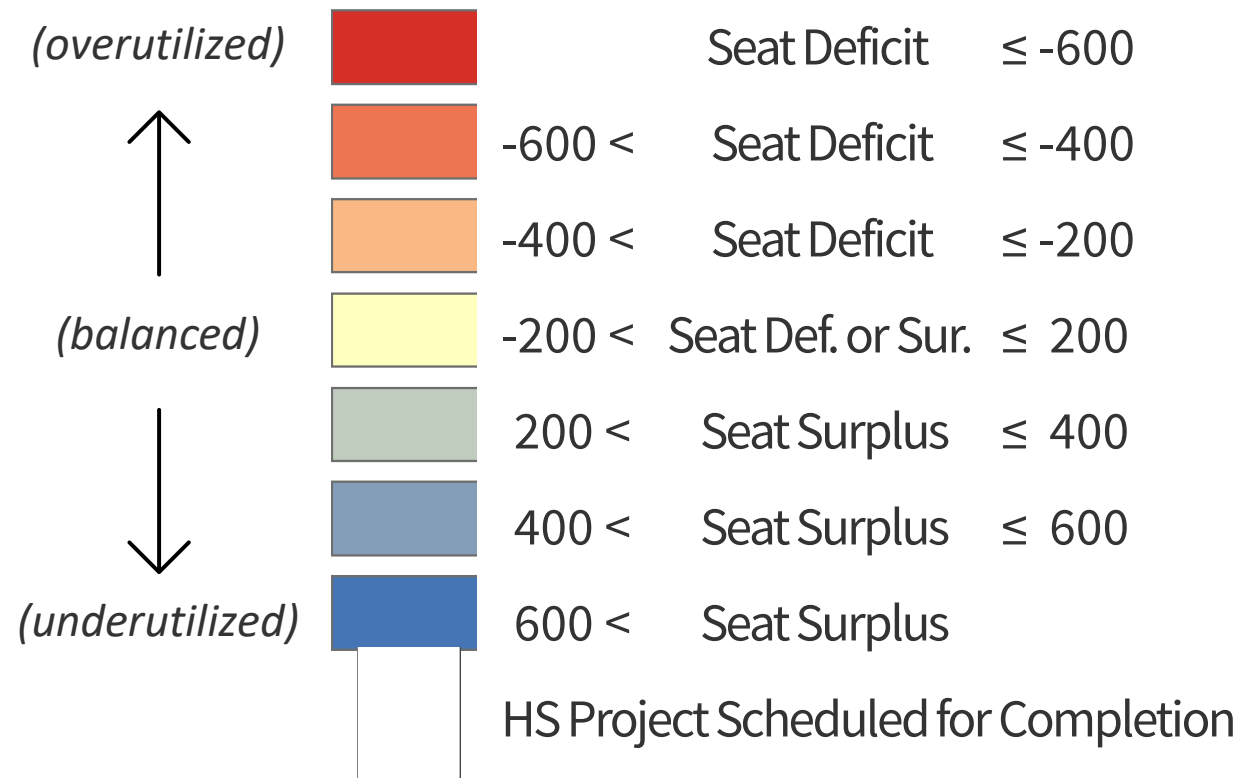
## 3. Allow use of funds for capacity projects at adjacent schools/clusters

- **Background:** Since UPP is assessed as a fee (as opposed to a tax), there needs to be a nexus between the collection and use of the funds. Currently, it must be used for *‘any public school improvement that adds capacity designed to alleviate overutilization in the school service area from which the funds were collected’*.
- **Issue:** An increasing number of capital projects are being scheduled to address aging infrastructure, often also adding capacity without an immediate demand projected but with a possibility to relieve overutilization in nearby areas.
- **Recommendation:** Staff recommends to allow the UPP funds collected in a school service area to be used for projects increasing capacity at adjacent clusters and schools.

# Utilization Premium Payment

3. Allow use of funds for capacity projects at adjacent schools/clusters

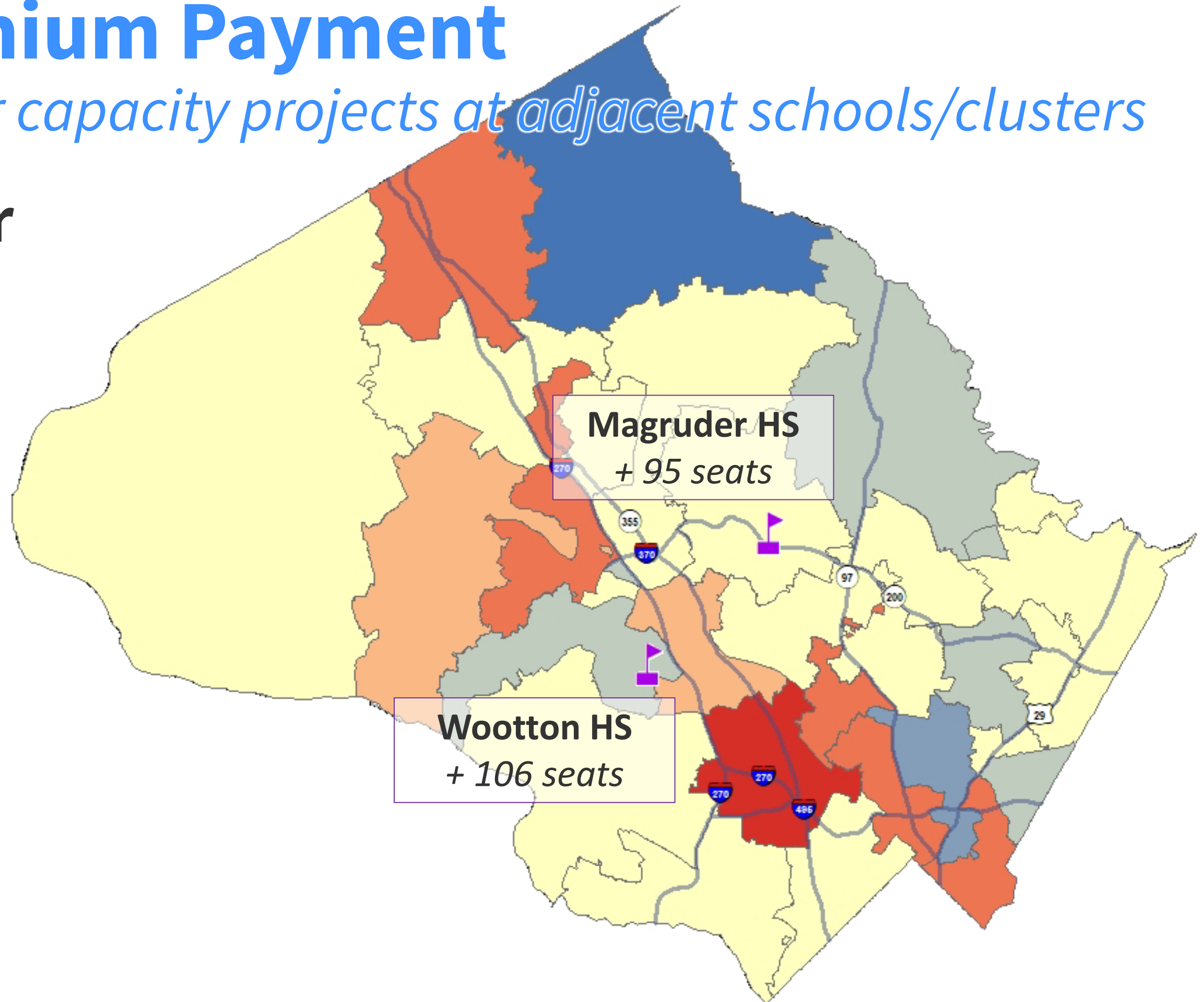
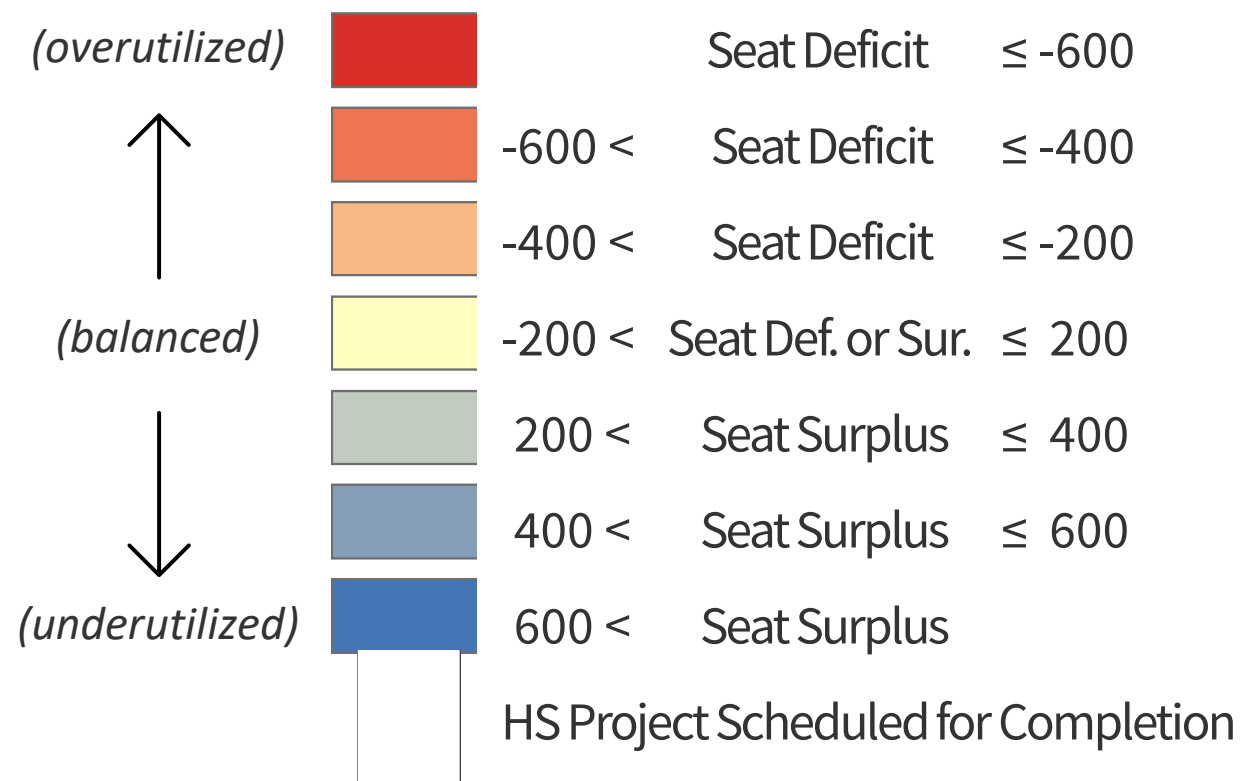
## 2027 – 2028 School Year HS CIP Schedule & Seat Deficit Projections



# Utilization Premium Payment

3. Allow use of funds for capacity projects at adjacent schools/clusters

## 2029 – 2030 School Year HS CIP Schedule & Seat Deficit Projections





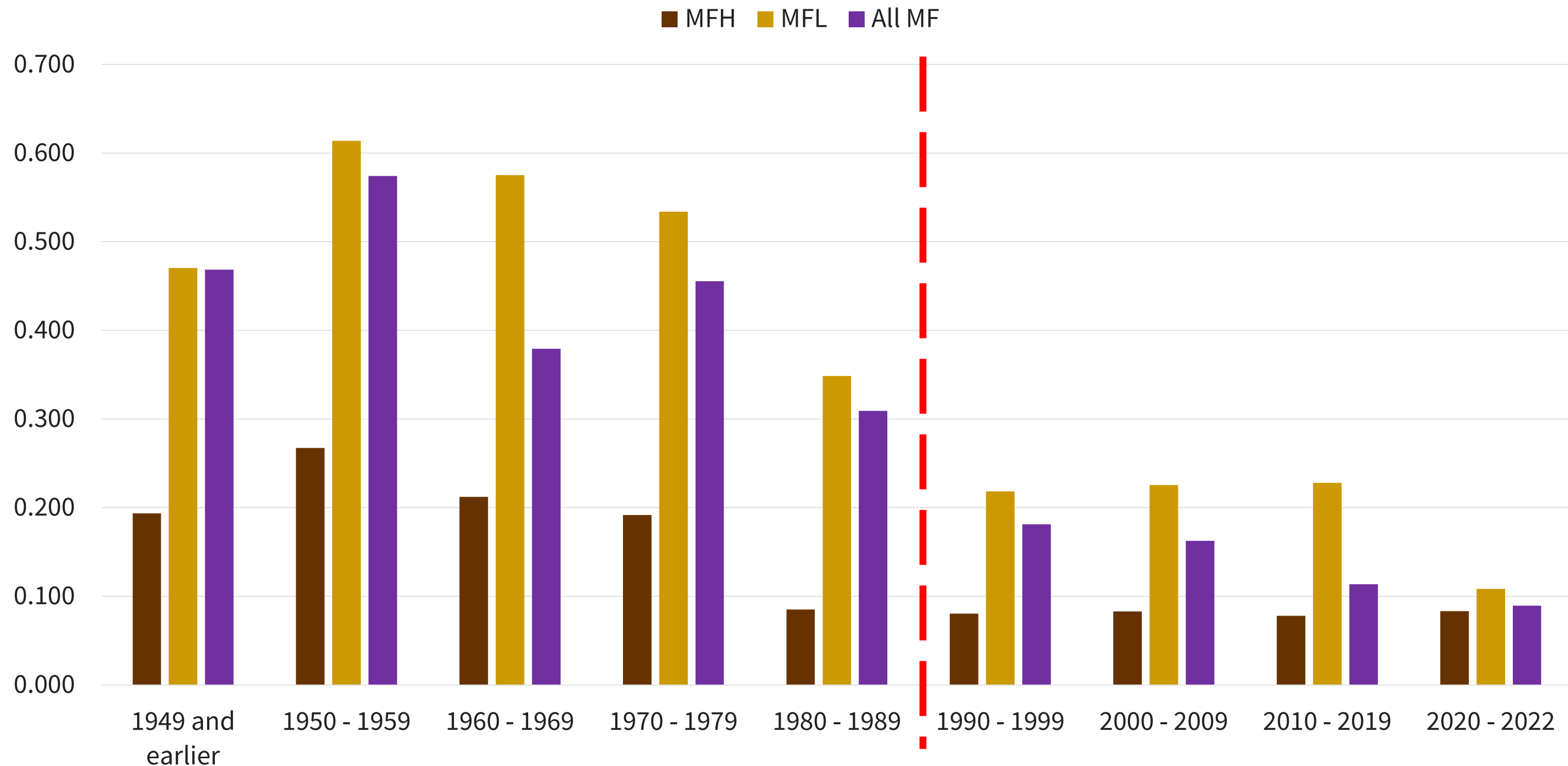
# Student Generation Rates

## 4. *Continue calculating MF rates based on structures built in 1990 or later*

- **Background:** Multi-family structures built in recent decades tend to differ from their predecessors in unit size and affordability. Therefore, only units in structures built since 1990 are considered.
- **Issue:** Multifamily units in structures built since 1990 still generate students at a lower rate than those built in earlier decades.
- **Recommendation:** Official SGRs for multifamily units will be calculated based on units built in 1990 or later.

# Student Generation Rates

4. Continue calculating MF rates based on structures built in 1990 or later



# Student Generation Rates

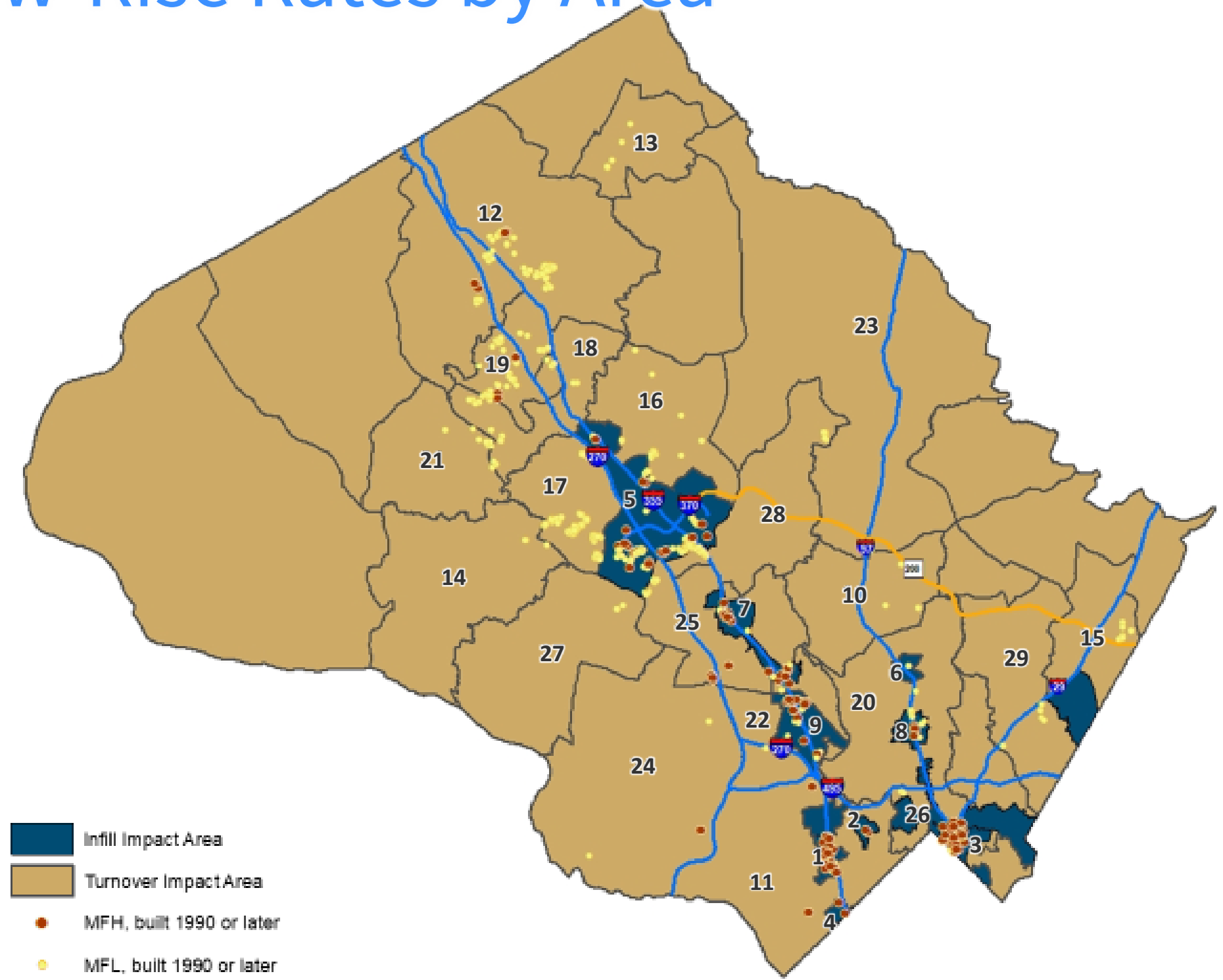
## *5. Maintain MFH and MFL distinction and create category for alternative unit types.*

- **Background:** Currently, for the calculation of student generation rates, housing units are categorized into four types - single-family detached (SFD), attached (SFA), multifamily low (MFL), and high-rise (MFH).
- **Issue:** In light of the Attainable Housing Strategies initiative and the type of units being provided in newer development, an SGR category for alternative housing units will need to be introduced to accurately reflect the evolving housing types.
- **Recommendation:**
  - Keep the distinction between low-rise and high-rise for the calculation of SGRs.
  - Remove 2-over-2s/piggyback/stacked THs from the low-rise calculation of SGRs and create a new category between SFA and MFL that will eventually become the attainable/MMH category, if needed.

# Student Generation Rates

## Multifamily High-Rise vs. Low-Rise Rates by Area

	SGR of MFH	SGR of MFL	SGR of All MFH Units
<b>Infill Impact Areas</b>	<b>0.073</b>	<b>0.135</b>	<b>0.087</b>
1. Bethesda	0.077	0.000	0.077
2. Chevy Chase Lake	0.092	-	0.092
3. Downtown Silver Spring	0.062	0.191	0.066
4. Friendship Heights	0.058	-	0.058
5. Gaithersburg East	0.063	0.139	0.101
6. Glenmont	-	0.047	0.047
7. Rockville 355	0.076	0.171	0.097
8. Wheaton CBD	0.069	0.109	0.082
9. White Flint	0.092	0.123	0.100
<b>Turnover Impact Areas</b>	<b>0.168</b>	<b>0.258</b>	<b>0.247</b>
10. Aspen Hill	-	0.231	0.231
11. Bethesda/Chevy Chase	0.177	-	0.177
12. Clarksburg	0.276	0.540	0.487
13. Damascus	-	0.361	0.361
14. Darnestown	-	0.149	0.149
15. Fairland	-	0.208	0.208
16. Gaithersburg North	-	0.196	0.196
17. Gaithersburg West	-	0.140	0.140
18. Germantown	-	0.234	0.234
19. Germantown North	0.283	0.260	0.264
20. Kensington/Wheaton	-	0.474	0.474
21. Lower Seneca	-	0.241	0.241
22. North Bethesda	0.048	0.274	0.205
23. Olney	-	0.056	0.056
24. Potomac	0.040	0.378	0.184
25. Rockville	0.033	0.194	0.129
26. Silver Spring	-	0.232	0.232
27. Travilah	-	0.471	0.471
28. Upper Rock Creek	-	0.221	0.221
29. White Oak	-	0.367	0.367

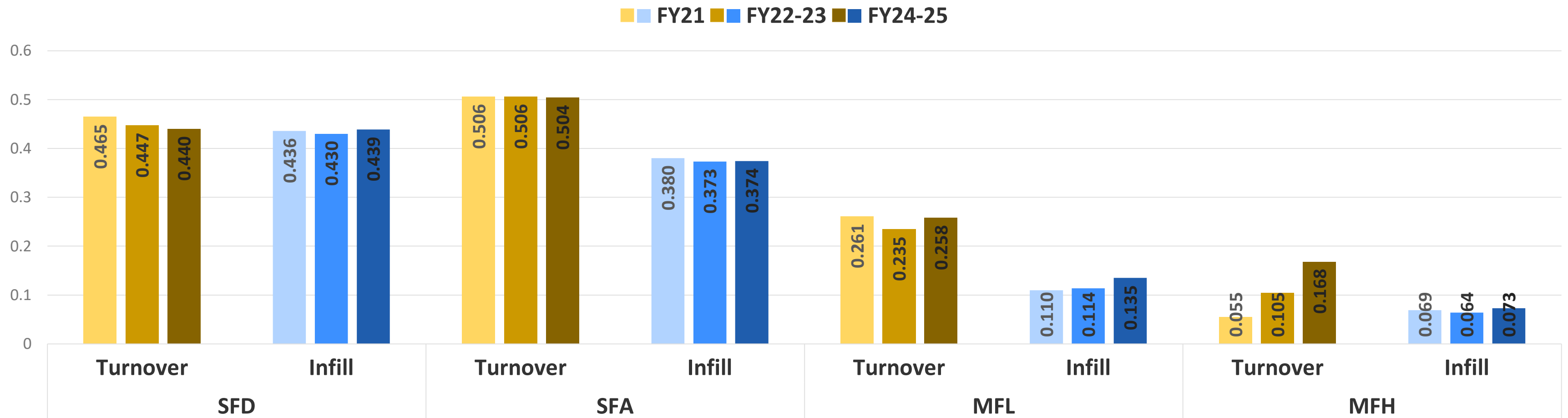




# Student Generation Rates

## Change by Impact Area & Unit Type, FY21 to FY24-FY25

- In Turnover Impact Areas, SGR of multifamily high-rise units increased by more than 200%, while single family detached units decreased by 5% since FY21.
- In Infill Impact Areas, SGR of multifamily low-rise units increased by 23%, and high-rise units increased by 6%.



# Student Generation Rates

## Townhouse-like Multifamily Units



	Infill SGR	Turnover SGR	Countywide SGR
Current MFL	0.135	0.258	0.218
'True' MFL	0.138	0.238	0.203
2-over-2/piggyback/stacked TH	0.091	0.366	0.322



# Student Generation Rates

## *6. Monitor the impact of MCPS' Early Childhood initiatives*

- **Background:** Students enrolled in early childhood programs are counted in MCPS' enrollment, but not included in student generation rate calculations (more than 4,700 students enrolled in Pre-K, Head Start, or Pre-K Special Ed across 105 of the 137 elementary schools)
- **Issue:** MCPS is charged with expanding its early childhood programs under the Blueprint for Maryland's Future and is therefore expecting an increased demand for capacity across the County.
- **Recommendation:** Monitor the impact of the early childhood program as it continues to be implemented, to consider including it in the official SGRs if/when necessary.

# Preliminary Impact Tax Recommendations



# Preliminary Impact Tax Recommendations

## Summary

1. Calculation of schools impact taxes – maintain 100% factor.
2. Continue ‘cap and carryover’ system.
3. Calculate Single Family Detached and Attached rates by square foot.
4. Create a separate impact tax category for attainable housing unit types, including 2-over-2s/stacked TH in the calculation.
5. Remove Enterprise Zone exemptions.
6. Keep Opportunity Zone exemptions.
7. Remove Desired Growth and Investment Area exemptions.
8. Keep 25% MPDU project exemption/waiver.
9. Expand the 3BR unit exemption for multi-family units from Infill Impact Areas to all areas.
10. Exempt office-to-residential conversions from impact taxes.

# Impact tax Recommendation

## 1. *Calculation of Schools Impact Taxes*

- **Background/Issue:** In 2020, with the creation of Utilization Premium Payments, the 120% cost of a student seat calculation was lowered to 100%.
- **Recommendation:** With a recommendation of continued use of Utilization Premium Payments for schools identified as overcrowded, the calculation should remain at a 100% factor.

# Impact tax Recommendation

## 2. *Cap and Carryover System*

- **Background:** 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.
- **Issue:** The schools biennial adjustment is a true reset every time the SGRs are recalculated, using real student enrollment and housing data.
- **Recommendation:** Keep the cap and carryover system, given how new this system is.

# Impact tax Recommendation

## 3. Calculate Attached and Detached Rates by Square Foot

- **Background:** Currently, impact tax fees are charged on a per-unit basis, with no distinction for the size of the unit.
- **Issue:** One way of incentivizing the production of entry-level homes is to provide an impact tax-based incentive to build smaller homes.
- **Recommendation:**

Type	Average Size	Current Infill Rate	Proposed Infill Rate per SF	Current Turnover Rate	Proposed Turnover Rate per SF
Attached	1,800sf	\$21,664	\$12.04	\$29,456	\$16.36
Detached	3,600sf	\$25,004	\$6.95	\$26,084	\$7.25



# Impact tax Recommendation

## 4. *New Impact Tax Category for New Housing Types*

- **Background:** The Planning Board is currently reviewing the Attainable Housing Strategies, which will make it easier to build housing types beyond the typical single-family attached, detached, and multifamily high-and-low-rise structures.
- **Issue:** The potential possibility that the county adopts changes to allow for more diverse housing types in the county.
- **Recommendation:** Create a new impact tax category between Single Family Attached and Multifamily Low. This potential category rate could start to be calculated using SGR data for 2-over-2s.

# Impact tax Recommendation

## 5. *Remove Enterprise Zone Exemption*

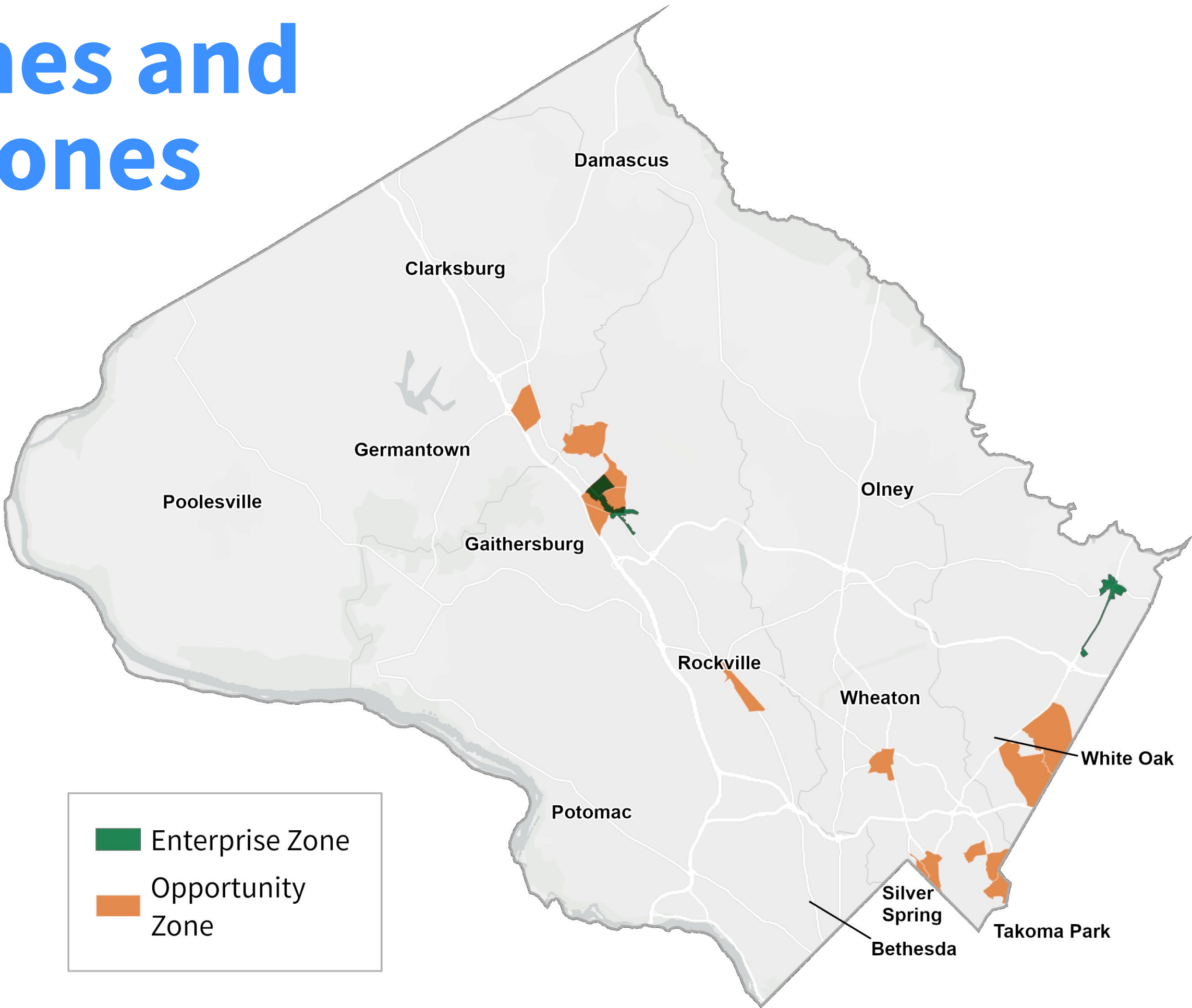
- **Background:** The Maryland Enterprise Zone program designates areas of the state that meet certain requirements as targets for employment growth. The Enterprise Zone designations expire after 10 years.
- **Issue:** Only two current Enterprise Zones remain.
- **Recommendation:** Eliminate the current Enterprise Zone exemption.

# Impact tax Recommendation

## 6. *Keep Opportunity Zone Impact Tax Exemption*

- **Background:** An Opportunity Zone is an economically distressed community where private investments may be eligible for capital gain tax incentives. 14 census tracts in the county have been certified as Qualified Opportunity Zones. The designation remains for 10 years.
- **Issue:** While Opportunity Zones remain an important way to invest in economically distressed communities, the exemption expires by 2028.
- **Recommendation:** Keep exemption to support the county's economic development goals.
- Add grandfathering 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.

# Enterprise Zones and Opportunity Zones





# Impact tax Recommendation

## 7. *Desired Growth and Investment Areas*

- **Background/Issue:** Desired Growth and Investment Areas include certain Metropolitan Washington Council of Governments (MWCOCG) designated Activity Centers and a 500-foot buffer around existing and certain planned bus rapid transit (BRT) lines, except for in the city of Rockville.
  - 40% Discount for Orange Policy Areas
  - 32% Discount for Yellow Policy Areas
- **Issue:** Another boundary related to the GIP that complicates the policy.
- **Recommendation:** Remove this exemption.

# Impact tax Recommendation

## 8. Discount for 25% MPDU Projects

- **Background/Issue:** A full exemption or partial waiver of school and transportation impact taxes is allowed for projects that provide 25% MPDUs. The exemption or waiver is equal to the lowest possible standard impact tax rate for unit type.
- **Recommendation:** Keep this exemption.

		Single-family Detached		
		Impact Tax	Exemption	To Pay
Infill Impact Areas	Standard	\$19,707	\$19,707	\$0
	Desired Growth	\$19,707	\$19,707	\$0
Turnover Impact Areas	Standard	\$21,582	\$19,707	\$1,875
	Desired Growth	\$21,582	\$19,707	\$1,875
	AR Zone	\$25,898	\$19,707	\$6,191

		Single-family Detached		
		Impact Tax	Exemption	To Pay
Red Policy Area		\$7,838	\$7,838	\$0
Orange Policy Area		\$19,591	\$7,838	\$11,753
Yellow Policy Area		\$24,490	\$7,838	\$16,652
Green Policy Area		\$24,490	\$7,838	\$16,652

# Impact tax Recommendation

## 9. *Three-bedroom units*

- **Background:** Currently, a three-bedroom multifamily dwelling unit located in an Infill Impact Area pays impact taxes at 40% of the otherwise applicable rate.
- **Issue:** The county has prioritized building these types of units in the past, desiring more family friendly units.
- **Recommendation:** Modify the exemption to fully waive impact taxes for three-bedroom units in multifamily structures.

# Impact tax Recommendation

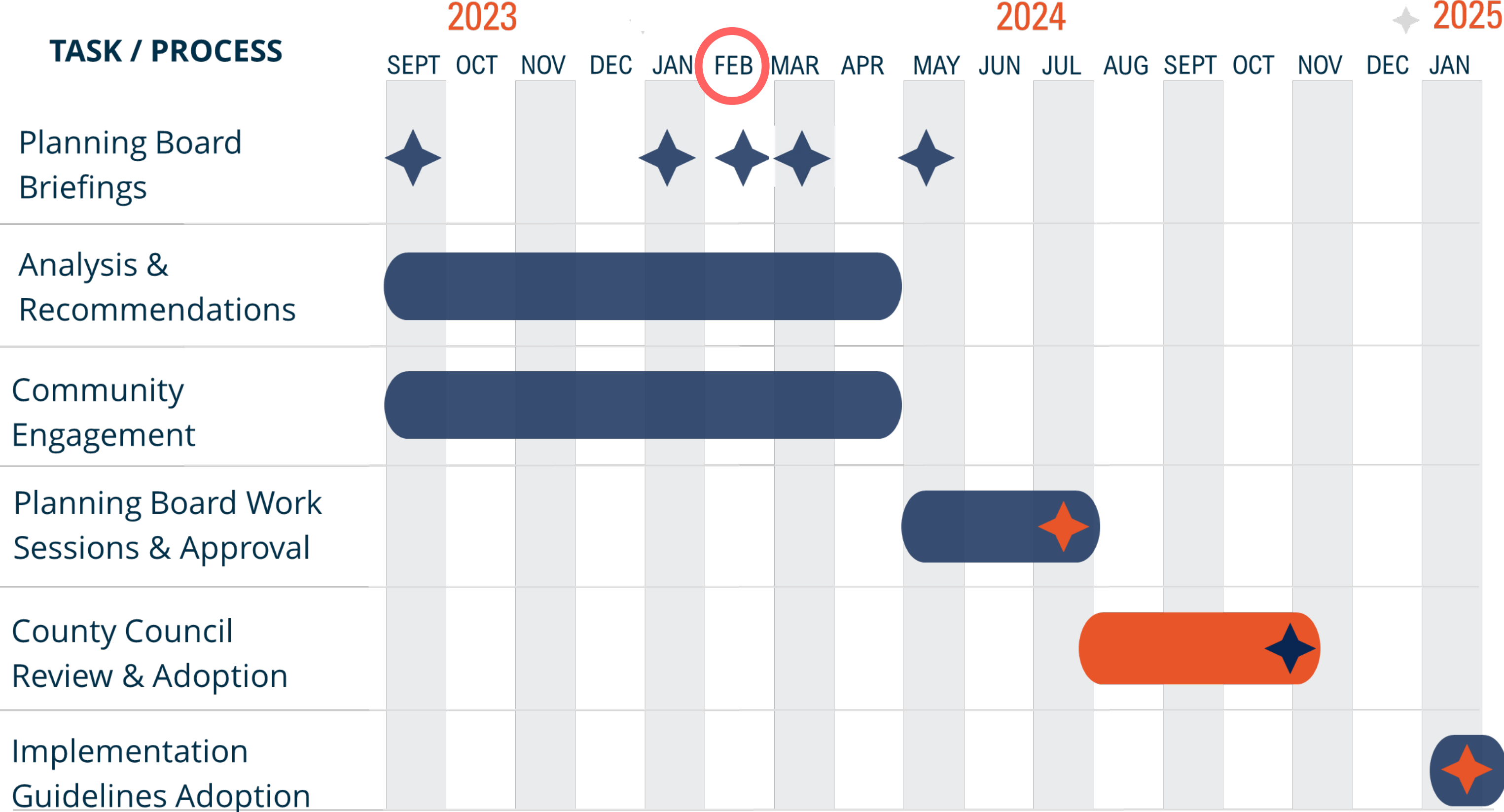
## 10. *Office-to-Residential Conversions*

- **Background:** Currently, Office-to-Residential conversions get a credit for the office use against their new residential impact taxes.
- **Issue:** There is a high office vacancy rate in the county, and it is difficult and expensive nature to convert office-to-residential.
- **Recommendation:** Exempt office-to-residential conversions from impact taxes.



# Next Steps

# Project Schedule



# Questions?