

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 225 (Prince George's County Delegation)
Environment and Transportation

Prince George's County - School Facilities Surcharge - Exemptions - Transit
Oriented Development - Workforce Housing
PG 415-19

This bill alters specified exemptions from the Prince George's County school facilities surcharge. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate impact on Prince George's County school facilities surcharge revenue beginning in FY 2020. The actual impact depends on the number of exemptions granted and the surcharge imposed. County expenditures for public school construction projects are not directly affected; however, the proposed exemption may alter the amount of revenue dedicated to public school construction projects. **The bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill provides an additional exemption from the Prince George's County school facilities surcharge to include multifamily housing located within one-quarter mile of a Metro station or a Purple Line station. To qualify for the exemption, the multifamily housing must be constructed under a government regulation or binding agreement that designates at least 25% of the dwelling units for at least 30 years as affordable housing for residents whose income does not exceed 80% of the area median

income for Prince George's County established by the U.S. Department of Housing and Urban Development.

In addition, the bill repeals the following exemptions from the school facilities surcharge:

- a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision, provided that the owner intends to use the dwelling as the owner's personal residence.
- specified student housing located within the campus of Capitol Technology University in an area adjacent to and east of Springfield Road.
- multifamily housing that is located in the City of College Park and designated as graduate student housing by the city government.
- a single-family dwelling unit that is built or subcontracted by an individual owner to replace on the same lot a previously existing single-family dwelling unit that was destroyed by fire, explosion, or a natural disaster if the single-family dwelling unit is (1) similar to the previously existing single-family dwelling unit and (2) owned and occupied by the same individual who owned and occupied the previously existing single-family dwelling unit.
- single-family, attached dwellings that are (1) located in a residential revitalization project; (2) located in the developed tier as defined in the Prince George's County general plan; (3) located on the same property as previously existing multifamily dwelling units; (4) developed at a lower density than the previously existing multifamily dwelling units; (5) offered for sale only on a fee simple basis; and (6) located on a property that is less than six acres in size.

Current Law: Prince George's County imposes a school facilities surcharge on specified new residential construction to support new school construction in the county. The school facilities surcharge is a fee collected at the time of the issuance of the building permit. The resulting revenue is distributed to a special fund that supplements new school construction costs in the county.

Exemptions from School Facilities Surcharge

The school facilities surcharge does not apply to mixed retirement developments, elderly housing, or any property located in an infrastructure finance district approved prior to January 1, 2000. In addition, the surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision, provided that the owner intends to use the dwelling as the owner's personal residence. In addition, specified student housing located within the campus of Capitol Technology University in an area adjacent to and east of Springfield Road is also exempt.

An exemption from the school facilities surcharge also applies to single-family, attached dwellings that are (1) located in a residential revitalization project; (2) located in the developed tier as defined in the Prince George's County general plan; (3) located in a Transforming Neighborhood Initiative area; (4) located on the same property as previously existing multifamily dwelling units; (5) developed at a lower density than the previously existing multifamily dwelling units; (6) offered for sale only on a fee simple basis; and (7) located on a property that is less than six acres in size.

Chapter 685 of 2013 required that the Prince George's County school facilities surcharge be reduced by 50% for multifamily housing constructed (1) within an approved transit district overlay zone; (2) within one-quarter mile of a Metro station; or (3) within the Bowie State Maryland Area Reginal Commuter (MARC) Station Community Center Designation Area, as defined in the approved Bowie State MARC Station Sector Plan and Sectional Map Amendment. In addition, the school facilities surcharge does not apply to studio or efficiency apartments that are located (1) within the specified county urban centers and corridors; (2) within an approved transit district overlay zone; or (3) within one-quarter mile of a Metro station. Chapter 685 sunsets September 30, 2018.

Chapter 733 of 2016 repealed the school facilities surcharge exemption for multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park Campus. The legislation specified that the school facilities surcharge does not apply to multifamily housing that is located in the City of College Park and designated as graduate student housing by the city government. However, the Prince George's County Council may, by resolution, reverse this designation within 60 days. Chapter 733 also required the owner of the property to pay, at the time of the conversion, the school facilities surcharge in accordance with the laws at the time of the conversion if the housing is converted from graduate student housing to multifamily housing for the general population.

Chapter 455 of 2017 required Prince George's County to impose a reduced school facilities surcharge for specified residential construction that abuts an existing or planned mass transit rail station site operated by the Maryland Transit Administration. Chapter 455 also authorized the Prince George's County Council to reduce the school facilities surcharge by a percentage not exceeding 50% for dwelling units in multifamily housing constructed where there is no approved transit district overlay zone, within one-quarter mile of a Purple Line station. Chapter 455 also established a Prince George's County Surcharge Exemptions for Projects Near Transit Properties Workgroup to examine reductions, waivers, and exemptions from school facilities and public safety surcharges.

Background: Chapter 431 of 2003 increased the school facilities surcharge from \$5,000 per unit to \$12,000 for applications filed on or after July 1, 2003, for new residential construction projects. Chapter 431 also required the surcharge to be adjusted annually

based on the Consumer Price Index beginning in fiscal 2005. The school facilities surcharge collection process is administered by the Prince George's County Department of Permitting, Inspections, and Enforcement (DPIE). Effective July 1, 2018 (fiscal 2019), the school facilities surcharge amount is set at \$9,550 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$16,371 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2018 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenues to support a portion of new debt issued for school construction projects. As of June 2016, Prince George's County had \$289.7 million in school facilities surcharge supported general obligation bonds. As of fiscal 2018, the county had a fund balance of \$71.7 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2018
(\$ in Millions)

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>SFS Revenues</u>	<u>SFS Expenditures</u>
2005	1,960	\$26.7	\$11.4
2006	2,667	42.8	14.4
2007	2,380	47.4	11.7
2008	1,661	27.6	23.8
2009	1,102	14.7	28.8
2010	1,189	15.9	49.0
2011	1,002	14.3	21.7
2012	660	22.8	20.5
2013	907	29.3	22.6
2014	748	24.3	36.5
2015	814	23.4	28.1
2016	865	32.3	29.4
2017	829	28.5	30.8
2018	n/a	35.1	32.9
Total	16,784	\$385.1	\$361.6

SFS: school facilities surcharge

Source: Prince George's County

Local Fiscal Effect: Prince George's County school facilities surcharge revenue are affected in two ways: (1) adding an exemption for specified multifamily housing units near a Purple Line station; and (2) repealing exemptions for specified single-family dwellings and multifamily units for student housing. The overall effect on revenues will depend on the amount of the surcharge imposed per dwelling unit and the number of multifamily and single-family housing units that will be subject to the surcharge. The net effect of the changes cannot be reliably estimated. Based upon existing residential development trends in the county, the proposed changes to the school facilities surcharge may impact county revenues by a significant amount. Consequently, this could alter the amount of revenue dedicated to public school construction projects in the county.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2019
mag/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510