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FISCAL AND POLICY NOTE
First Reader

Senate Bill 780 (Senator Rosapepe)
Education, Health, and Environmental Affairs

**Prince George's County - School Facilities Surcharge - Student Housing
Exemptions
PG 439-16**

This bill alters the areas within which multifamily housing designated as student housing and graduate student housing is exempt from the Prince George's County school facilities surcharge.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues from the school facilities surcharge on undergraduate student housing may increase beginning in FY 2017. The actual amount of the revenue increase depends on the number of undergraduate student housing units that are built and the amount of the surcharge imposed. County expenditures are not directly affected. Based upon existing residential development trends in the county, the proposed changes may increase county revenues by a significant amount. Consequently, this could result in an increase in the amount of revenue dedicated to public school construction in the county. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill repeals 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. The bill specifies 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 of College Park. The bill also requires 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.

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.

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 it as the owner's personal residence. Multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park campus are also exempted from the surcharge. In addition, specified student housing located within the campus of Capitol College in an area adjacent to and east of Springfield Road in parcels 1 and 2 in the subdivision of land known as "parcels 1 and 2, Capitol Institute of Technology," as per plat recorded in Plat Book NLP 115 at plat 31 among the land records of Prince George's County 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, for fiscal 2014 through 2019, 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 Regional 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.

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, 2014, the school facilities surcharge amount was set at \$9,035 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,489 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2015 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenue to support a portion of new debt issued for school construction projects.

As of June 1, 2015, Prince George's County had \$291.9 million in school facilities surcharge supported general obligation bonds and a fund balance of \$68.0 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2015
(\$ 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	22.8	28.1
Total	15,090	\$288.6	\$268.5

SFS: school facilities surcharge

Source: Prince George's County

Local Fiscal Effect: The bill repeals an exemption from the Prince George's County school facilities surcharge for specified undergraduate student housing located near the University of Maryland, College Park. As a result, any undergraduate student housing units built in these areas will now be subject to the surcharge. Any increase in county revenues resulting from the repeal of the exemption cannot be reliably estimated at this time.

Based upon existing residential development trends in the county, the proposed changes may increase county revenues by a significant amount. Consequently, this could result in an increase in the amount of revenue dedicated to public school construction in the county.

Prince George's County advises that, under current law, any multifamily units built within the areas described in the bill are subject to the school facilities surcharge of \$9,035 or \$15,489 per unit, depending on where the units are located.

Additional Information

Prior Introductions: None.

Cross File: HB 1138 (Prince George's County Delegation) - Environment and Transportation.

Information Source(s): Prince George's County, University System of Maryland, State Department of Assessments and Taxation, Department of Legislative Services

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kb/jrb

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