

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 373

(St. Mary's County Delegation)

Environmental Matters

Education, Health, and Environmental
Affairs

St. Mary's County - Impact Fees

This bill repeals the termination date of provisions that authorize the St. Mary's County Commissioners to waive and defer the county's building impact fee for newly constructed living units designated as affordable housing. The bill increases the number of housing units eligible to receive the waiver or deferral, removes the \$350,000 limit on the annual revenue loss resulting from the waivers and deferrals, and extends eligibility to individuals with family income less than 60% of the county median.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County revenues could decrease by up to \$585,000 each year assuming the county commissioners waive the building impact fee for qualified housing units. In FY 2005, the waiver and deferral program reduced county revenues by \$198,000. County expenditures would not be affected.

Small Business Effect: None.

Analysis

Bill Summary: This bill repeals the termination date and modifies the current St. Mary's County building impact fee waiver and deferral program. **Exhibit 1** compares the current program under Chapter 543 of 2004 and the provisions in House Bill 373.

Exhibit 1
Proposed Changes to the St. Mary's County Building Impact Fee Program

	<u>Chapter 543</u>	<u>HB 373</u>
Maximum Units Eligible for Waiver	30	60
Maximum Units Eligible for Deferral	50	70
Maximum Cost of Waivers/Deferrals	\$350,000	None
Maximum Percent of County Median Family Income whereby Individual Remains Eligible for Program	50%	60%
Reporting Requirement in Budget	Operating	Capital

Current Law: Article 25 authorizes the St. Mary's County Commissioners to impose a building impact fee on new development to defray the additional costs for educational, water, sewerage, road, sanitation, solid waste, park, or similar facilities. The St. Mary's County Code specifies the provisions for the building impact fee.

Chapter 543 of 2004 authorizes the St. Mary's County Commissioners to waive the county's building impact fee for up to 30 newly constructed living units and defer or provide for the amortization of the building impact fee for up to 50 newly constructed living units. This provision only applies to units that are: (1) deemed affordable for individuals whose family income in the previous fiscal year was less than 50% of the county median family income; and (2) within a certain square footage as determined by the county commissioners. The amount of the building impact fees waived, deferred, or amortized cannot exceed \$350,000 in any fiscal year. The county's operating budget must include the amount of impact fees waived, deferred, or amortized. These provisions are applicable only in fiscal 2005 and 2006.

Background: Pursuant to legislation enacted at the 2004 session, St. Mary's County developed a program to waive or defer building impact fees for the purpose of creating new low to moderate housing units in the county. Due to this program, the Patuxent Habitat for Humanity has built two homes in the Sans Souci neighborhood. The organization also built two additional homes before the impact fee waiver program was in place. The St. Mary's County Housing Authority used the program for a 42-unit housing development called Gateways, a four-story residential homeownership condominium community. The county advises that additional demand for the impact fee waiver/deferral program is likely. The Southern Maryland Tri-County Community Action Agency is in the process of constructing a 100-unit homeownership community on Willows Road and plans to request waivers and deferrals. According to St. Mary's

County, the impact fee waiver and deferral program “helps make it feasible to construct workforce housing that might not otherwise be built. The investment of lost impact fee revenue enables working families to buy or rent at a cost they can afford.”

Impact Fees and Excise Taxes in Maryland

Local governments in Maryland must obtain explicit authority from the General Assembly before imposing a development impact fee or excise tax. One exception to this restriction applies to code home rule counties, which have already received authority from the General Assembly to impose such charges. Fifteen counties currently impose either a development impact fee or excise tax which generated approximately \$101.4 million in revenues in fiscal 2005. The primary services funded by these charges include public school construction, transportation, parks and recreation, and water/sewer utilities. **Appendix 1** shows the counties that impose either a development impact fee or excise tax and the revenues generated by such charges. The rate per dwelling shown in the exhibit is for single-family detached dwellings, the rates may vary for other types of housing units.

Local Fiscal Effect: St. Mary’s County imposes a \$4,500 impact fee on each new residential dwelling unit. Proceeds from the impact fee are utilized as follows: \$3,375 for public schools; \$675 for parks and recreation; and \$450 for roads. Building impact fee revenues in St. Mary’s County totaled approximately \$6.6 million in fiscal 2004 and \$3.4 million in fiscal 2005. In fiscal 2005, the county granted 30 waivers and 14 deferrals at a total cost of \$198,000 (**Exhibit 2**). The lost revenue due to the waivers and deferrals represents less than 6% of the total impact fee revenue collected by St. Mary’s County in fiscal 2005.

Exhibit 2
Building Impact Fees – Waiver or Deferral Program
Fiscal 2005

	<u>Housing Units</u>	<u>Lost Revenues</u>
Fees Waived	30	\$135,000
Fees Deferred	<u>14</u>	<u>63,000</u>
Total	44	\$198,000

Pursuant to this legislation, up to \$585,000 in building impact fee revenues could be waived, deferred, or amortized. The median home price for new residential sales in St.

Mary's County was \$250,000 in fiscal 2005 and the median household income in the county was \$60,550 in calendar 2004.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's County, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2006
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Appendix 1
Maryland Counties with Development Impact Fees and Excise Taxes

<u>County</u>	<u>Legislative Reference</u>	<u>FY 2006 Rate Per Dwelling</u>	<u>FY 2005 Estimated Revenues</u>
Anne Arundel	Ch. 350 of 1986	\$4,617	\$10,508,900
Calvert	Ch. 232 of 2001	12,950	6,021,600
Caroline	Ch. 538 of 2004	4,486	398,300
Carroll	Ch. 108 of 1987	6,836	3,403,200
Charles	Ch. 586 of 2002	10,247	1,181,500
Dorchester	Ch. 401 of 2004	3,671	846,200
Frederick	Ch. 468 of 1990 Ch. 690 of 2001	10,487 0.10 - 0.25/sq.ft	14,600,700
Harford	Ch. 389 of 2004	6,000	n/a
Howard	Ch. 285 of 1992 Ch. 420 of 2004	0.80/sq.ft. (Roads) 1.03/sq.ft. (Schools)	12,807,800
Montgomery	Ch. 808 of 1963 Ch. 707 of 1990	8,000 (Schools) 8,250 (Roads)	16,166,100
Prince George's	Ch. 597 of 1990 Ch. 431 of 2003 Ch. 594 of 2005	12,706	26,233,300
Queen Anne's	Ch. 410 of 1988	6,363	1,511,500
St. Mary's	Ch. 814 of 1974	4,500	3,417,900
Talbot	Ch. 48 of 2003	5,152	762,500
Washington	Ch. 598 of 2005	13,000	3,546,200
Total			\$101,405,700

