SB 390

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 390 (Senator Currie, *et al.*)
Budget and Taxation Ways and Means

Prince George's County - Special Taxing Districts

This bill expands the authority of Prince George's County to create a special taxing district, levy ad valorem or special taxes, and issue bonds in order to finance the cost of renovation, rehabilitation, and repair of buildings and associated systems for existing residential condominiums that are designated as workforce housing. In Prince George's County, "cost" includes the cost of renovation, rehabilitation, and repair of existing buildings, structural systems, elevators, facades, and associated mechanical and security systems for the purposes of creating a special taxing district and its associated taxing and bond issuing authority.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues would increase due to taxes levied in special taxing districts and from bond revenue to finance workforce housing projects. County expenditures could increase to finance costs associated with improving workforce housing in the county. It is expected that any increase in costs associated with financing workforce housing improvement projects would be offset by an increase in revenue from the special taxing district.

Small Business Effect: Overall minimal, but potential meaningful for those small businesses located in a new special taxing district authorized by the bill.

Analysis

Current Law:

Special Taxing Districts

All counties have authority to establish special taxing districts for limited purposes, such as providing drainage improvements or providing street lighting. In addition, the governing bodies of counties that have adopted charter home rule or code home rule also have broad authority under the Express Powers Act to create special taxing districts to carry out most municipal services.

The General Assembly has granted nine counties (Anne Arundel, Calvert, Charles, Garrett, Howard, Prince George's, St. Mary's, Washington, and Wicomico) and Baltimore City broad authority to create special taxing districts and to levy ad valorem taxes and issue bonds and other obligations for purposes of financing infrastructure improvements. The types of infrastructure improvements authorized include storm drainage systems, water and sewer systems, roads, lighting, parking, parks and recreational facilities, libraries, schools, transit facilities, and solid waste facilities.

In Prince George's County, this authority has been expanded to include levying hotel rental taxes, and the financing the cost for the construction, renovation, and maintenance of convention, conference, and visitors' centers.

As it applies to financing projects in special taxing districts, the definition of "cost" generally includes the construction, reconstruction, renovation, and all lands, structures, or property acquired or to be acquired by the county. It also includes extensions, enlargements, improvements, necessary services, plans and studies, administrative expenses, and certain finance charges and interest associated with the project.

Workforce Housing

Workforce housing is defined as affordable rental housing for a household with an annual income between 50% and 100% of the area median household income. It also includes homeownership housing that is affordable to a household with an annual income between 60% and 120% of the area median income. In targeted areas recognized by the Secretary of Housing and Community Development for the purposes of administering the Maryland Mortgage Program (MMP), workforce housing includes housing affordable to a household with an annual income between 60% and 150% of the area median income.

Background: There are a number of MMP targeted areas in Prince George's County, including Brentwood, Capitol Heights, Colmar Manor, Fairmount Heights, Mt. Rainier, North Brentwood, and Seat Pleasant.

In calendar 2005, the median household income for Prince George's County was $69,300, and for the State it was $64,300. **Exhibit 1** shows the median household income for both Prince George's County and the State at 50%, 60%, 100%, 120%, and 150%.

Exhibit 1
Calendar 2005 Median Household Income

	50%	60%	100%	120%	150%
Prince George's County	$34,650	$41,580	$69,300	$83,160	$103,950
Maryland	32,150	38,580	64,300	77,160	96,450

Local Fiscal Effect: Under the bill, Prince George's County could create special taxing districts and impose a special, ad valorem, or hotel rental tax in these districts to finance costs associated with improving workforce housing, thus increasing county revenues beginning in fiscal 2008. County expenditures could also increase beginning in fiscal 2008 to finance the costs associated with improving workforce housing. It is expected that any expenditure increase associated with financing workforce housing improvement projects in the special taxing districts would be covered by any special tax revenue generated in these areas.

Small Business Effect: Small businesses in special taxing districts created under the bill could be negatively impacted as their underlying operating costs could increase either through increased special property taxes or through higher rents as increased property taxes would be passed on by property owners to small businesses. Small businesses may be able to absorb these costs by raising the prices on their goods and services. However, if improving workforce housing in an area improves the consumer base for these small businesses, then the bill could result in an overall positive impact for these businesses.

Additional Information

Prior Introductions: None.

Cross File: HB 622 (Prince George's County Delegation) – Ways and Means.

Information Source(s): Prince George's County, Department of Legislative Services

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