

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1636 (Prince George's County Delegation)

Environment and Transportation Education, Health, and Environmental Affairs

**Prince George's County - School Facilities and Public Safety Surcharges -
Maryland Transit Administration Station**
PG 430-17

This bill requires 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. The bill also authorizes 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.

The bill establishes 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. The workgroup must report its findings and recommendations to the Prince George's County Council, the Prince George's County school board, and the members of the Prince George's County delegation to the General Assembly by December 31, 2017.

The bill takes effect June 1, 2017. The workgroup terminates June 30, 2018.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues from the school facilities surcharge may decrease beginning in FY 2018. The actual amount of the revenue decrease depends on the number of eligible properties subject to the surcharge and the amount of the surcharge imposed. While county expenditures are not directly affected, any decrease in surcharge revenues could result in less revenues dedicated to public school construction. Any

expense reimbursements for workgroup members and staffing costs for the Maryland-National Capital Park and Planning Commission are assumed to be minimal and absorbable within existing budgeted resources. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The workgroup must (1) gather data related to persons who have benefited from reductions in or exemptions from the school facilities surcharge or a waiver of the public safety surcharge; (2) study the potential development and fiscal impact of retaining existing exemptions from the school facilities surcharge or the public safety surcharge for transit-related development and expanding exemptions from the school facilities surcharge or the public safety surcharge to development related to Purple Line stations or MARC stations; (3) evaluate the potential value and cost of increasing, decreasing, or otherwise changing the amount and the availability of school facilities surcharge exemptions and public safety surcharge exemptions for transit-related development; and (4) make any necessary recommendations regarding the findings of the workgroup.

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. In addition, specified student housing located within the campus of Capitol Technology University 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.

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 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. 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 of College Park. However, the Prince George's County Council may, by resolution, reverse a designation by the City of College Park of multifamily housing as graduate student housing within 60 days of the designation. 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.

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.

Background:

School Facilities Surcharge

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, 2015, the school facilities surcharge amount was set at \$9,017 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,458 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2016 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 1, 2016, Prince George’s County had \$288.6 million in school facilities surcharge supported general obligation bonds and a fund balance of \$71.8 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2016
(\$ 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
Total	15,955	\$321.5	\$297.9

SFS: school facilities surcharge

Source: Prince George’s County

Purple Line

The Purple Line is a 16-mile light rail line that will extend from Bethesda in Montgomery County to New Carrollton in Prince George’s County. The line will provide a direct connection to the Metrorail Red, Green, and Orange lines at Bethesda, Silver Spring, College Park, and New Carrollton. The Purple Line will also connect to Maryland HB 1636/ Page 4

Area Regional Commuter trains, Amtrak, and local bus services. The Purple Line will include 21 stations, of which 10 will be located in Prince George's County and 1 (Takoma/Langley Transit Center) will be on the county border with Montgomery County.

A Public-Private Partnership (P3) agreement is in place for the design, building, financing, operation, and maintenance of the Purple Line. Under the P3 agreement, MDOT and the Maryland Transit Administration (MTA) selected Purple Line Transit Partners LLC (PLTP) as the concessionaire to design, build, finance, operate, and maintain the Purple Line over a 36-year term.

Under the P3 agreement, PLTP will complete the design of and construct, equip, operate, and maintain the Purple Line, as well as provide a portion of the financing for construction. The agreement will end 30 years after Revenue Service Availability (RSA), the point in time when the concessionaire demonstrates that the Purple Line is ready to begin carrying customers. In return, PLTP will receive progress payments paid monthly during the design-build period, a lump-sum payment upon RSA, a lump-sum payment upon final completion, and monthly availability payments once revenue service begins. Ownership of the Purple Line will remain with MDOT/MTA. MTA will set fares and receive all fare revenues generated by the Purple Line. At the end of the 30-year operating period, the Purple Line will be handed back to MTA.

Local Fiscal Effect: Prince George's County revenues from the school facilities surcharge may decrease beginning in fiscal 2018 depending on the number of eligible properties impacted and the amount of the surcharge imposed on those properties. Any reduction in surcharge revenues could result in less revenues 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; State Department of Assessments and Taxation; Department of Legislative Services

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kb/jrb

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