

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 225

(Prince George's County Delegation)

Environment and Transportation

Budget and Taxation

Prince George's County – School Facilities and Public Safety Surcharges –
Maryland Transit Administration Station PG 415–19

This bill alters the Prince George's County school facilities and public safety surcharges. **The bill takes effect July 1, 2019. Specified provisions of the bill terminate June 30, 2021.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County school facilities surcharge revenues decrease beginning in FY 2020. County expenditures for public school construction projects are not directly affected; however, the proposed changes may reduce the amount of revenue dedicated to public school construction projects. Public safety surcharge revenues increase beginning in FY 2020. County expenditures for public safety related construction projects are not directly affected; however, the proposed changes may increase the amount of revenue dedicated to public safety related construction projects. **The bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary:

School Facilities Surcharge

The bill provides an exemption from the school facilities surcharge for multifamily housing designated as student housing by Bowie State University and Prince George's County that

is located within one mile of Bowie State University. In addition, under specified circumstances, Prince George's County may exempt some or all of the school facilities surcharge for undergraduate student housing built west of U.S. Route 1, north of Knox Road, and south of Metzert Road.

The school facilities surcharge must be reduced by 50% for multifamily housing projects, with a building permit issued on or after April 1, 2019, constructed (1) within an approved transit district overlay zone or (2) where there is no approved transit district overlay zone, within one-quarter mile of a Metro Station or a Maryland Area Regional Commuter (MARC) Station. This provision terminates June 30, 2021.

The school facilities surcharge does not apply to a dwelling unit that is a studio apartment or an efficiency apartment if the dwelling unit is located (1) within the regional transit districts and local centers (growth policy areas), as defined in the approved Prince George's County general plan (Plan 2035), including in the area of the approved 2010 Central US 1 Corridor Approved Sector Plan and sectional map amendment; (2) within an approved transit district overlay zone; or (3) where there is no approved transit district overlay zone, within one-quarter mile of a Metro Station or a MARC Station. This provision terminates June 30, 2021.

Prince George's County may reduce the school facilities surcharge by a percentage up to 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. This provision terminates June 30, 2021.

Public Safety Surcharge

The bill authorizes Prince George's County to impose a public safety surcharge on new residential construction for which a building permit is issued by the county. Under current law, the surcharge may be imposed if a Preliminary Plan has been approved after July 1, 2005. A surcharge may be imposed for construction in the Transportation Service Area 1 and an area included in a basic plan or conceptual site plan that abut an existing or planned mass transit rail station site plan operated by the Maryland Transit Administration.

Reporting Requirement

The bill requires Prince George's County to (1) review and make recommendations on the impact of the school facilities surcharge and the public safety surcharge and the need for any changes to the surcharges, including whether changes to the school facilities surcharge and the public safety surcharge might have a positive impact on the ability to construct and maintain affordable housing and (2) report its findings 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 1, 2020.

Current Law:

School Facilities Surcharge

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 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.

Public Safety Surcharge

Chapter 594 of 2005 authorized the Prince George's County Council to impose a public safety surcharge on new residential construction for which a preliminary plan has been approved by the county council on or after July 1, 2005. The surcharge amount was set at \$6,000 for developments outside the developed tier and \$2,000 for developments inside the developed tier starting in the first year. In subsequent years, the surcharge amount is adjusted for inflation based on the Consumer Price Index for All Urban Consumers. The surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision and intended to be used as the owner's personal residence. The county council may waive any surcharge imposed in the developed tier.

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, 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

Public Safety Surcharge

The public safety surcharge amount was set at \$6,000 for developments outside the developed tier and \$2,000 for developments inside the developed tier starting in the first year. In subsequent years, the surcharge amount is adjusted for inflation based on the Consumer Price Index for All Urban Consumers. The surcharge amounts for fiscal 2018 totaled \$7,541 and \$2,515, respectively.

In fiscal 2018, Prince George's County collected \$4.5 million in net public safety surcharge revenues. The county is required to share at least 25% of the public safety surcharge revenues collected from construction projects located in a municipality that maintains a police department and is also required to provide waivers and partial waivers for various projects. Revenues collected were distributed to the Public Safety Driver Training and Gun Range project (\$2.1 million) and Training/Administrative Headquarters (\$5.6 million). Prince George's County advises that future revenues will be used for the repair, renovation, and improvement of public safety facilities.

Local Fiscal Effect:

School Facilities Surcharge

Prince George's County revenues from the school facilities surcharge may decrease beginning in fiscal 2020 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.

Public Safety Surcharge

Prince George's County revenues from the public safety surcharge may increase beginning in fiscal 2020 depending on the number of eligible properties impacted and the amount of the surcharge imposed on those properties. Consequently, this will result in more revenue dedicated to public safety related projects.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 11, 2019
mm/hlb Third Reader - March 21, 2019
Revised - Amendment(s) - March 21, 2019
Enrolled - May 7, 2019
Revised - Amendment(s) - May 7, 2019

Analysis by: Michael Sanelli

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