

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1465 (Charles County Delegation)
Commerce and Government Matters

Charles County - Imposition of Impact Fees for School Construction

This bill increases the maximum impact fee that can be imposed on new residential construction in Charles County. The county is prohibited from enforcing the adequate public facilities ordinance in cases where an impact fee is imposed on residential development. The bill establishes certain reporting requirements on the amount of revenue generated from the impact fees, and establishes a nine-member Task Force to Study Adequate Public Facilities Requirements and Funding in Charles County. The task force must report its findings and recommendations to the County Commissioners of Charles County and to the Charles County Legislative Delegation by October 1, 1997.

Section one of the bill takes effect on July 1, 1997 and section two of the bill takes effect on June 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Charles County revenues could increase by \$1.2 million beginning in FY 1998. Expenditures would not be affected.

Small Business Effect: Potential minimal impact on small businesses as discussed below.

Fiscal Analysis

Local Revenues: Charles County currently imposes a \$3,500 impact fee on new single family detached homes and \$3,354 on new townhouses. This bill would increase the maximum impact fee to \$5,254 for single family detached homes, \$3,407 for town homes, and \$3,880 for multifamily units. Based on the 1996 Charles County Comprehensive Plan,

approximately 975 new residential units are projected to be constructed annually from fiscal 1998 through 2000 and 1,181 in fiscal 2001 and fiscal 2002. Over a five-year period, the bill would generate an additional \$6.6 million in revenue. **Exhibit 1** shows the impact for fiscal 1998.

Exhibit 1
Projected Revenue Increase Due to Higher Impact Fees

Classification	Current Fee	Proposed Fee	Fee Increase	Units	Revenue Increase
Single Family Detached House	\$3,500	\$5,254	\$1,754	683	\$1,197,982
Townhouse	\$3,354	\$3,407	\$53	293	\$15,529
Multifamily Unit	\$3,500	\$3,880	\$380	0	\$0
Total Revenue				975	\$1,213,511

Local Expenditures: The bill requires Charles County, as a condition of imposing an impact fee, to demonstrate a rational nexus benefit analysis for the fee through a comprehensive impact fee analysis. Charles County currently conducts such an analysis each year at a cost of around \$7,500. Thus this requirement would not result in any additional costs.

Small Business Effect: The bill would increase the maximum fee on new residential construction by approximately 50% for single family homes and 11% for multi dwellings. Developers would presumably pass these costs on to home buyers. While higher home prices may negatively impact some sales of new homes, it is not likely to significantly shift the demand for housing to other jurisdictions. In addition, prohibiting the County Commissioners from enforcing the adequate public facilities ordinance, in cases where an impact fee is imposed on residential development, could lead to additional development in the county. Such actions could affect an array of small businesses ranging from real estate and architectural firms to construction sub-contractors and landscape designers. The construction industry in Charles County accounts for around 9% of the county's employment, or roughly 2,800 jobs.

Information Source(s): Charles County, Department of Fiscal Services

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