

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1391 (Delegate Franchot)
Environmental Matters

Land Use - Density Bonuses - Energy Efficient Homes

This bill requires all local jurisdictions exercising zoning authority under Article 66B (the State zoning and planning law) to enact local ordinances or laws that: (1) encourage the construction of energy efficient homes; and (2) award density bonuses to construct housing units that meet prescribed energy efficiency standards.

Fiscal Summary

State Effect: Potential increase in special fund revenues from State property taxes to the extent that the bill increases property values. No effect on expenditures.

Local Effect: Potential increase in local expenditures to administer the density bonus program and to provide any additional public services needed as a result of the density bonuses. Potential increase in local revenues from property taxes.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Local jurisdictions do not have the authority to enact legislation to award density bonuses for the development of energy efficient homes. However, to promote the creation of affordable housing to persons or families who have low or moderate incomes, all counties and Baltimore City may enact local ordinances or laws that: (1) impose inclusionary zoning and award density bonuses to create affordable housing units; and (2) impose restrictions on the use, cost, and resale of these housing units.

Background: Density bonuses are a regulatory tool that local jurisdictions can use to provide an incentive for developers to build more units than typically allowed under zoning. Density bonuses can be granted for any number of reasons. Because developers often seek density bonuses, a local planning board can use a density bonus to achieve community goals such as affordable housing or the further creation of open space. Additionally, density bonuses are often given to developments that comply with specific design guidelines.

State Revenues: State property taxes are assessed at \$.0804 for every \$100 of property. This revenue is deposited in the Annuity Bond Fund. Assuming that developers take advantage of the density bonuses and build additional homes that increase the value of the property, State revenues would increase. Nevertheless, the amount by which revenues would increase cannot be reliably quantified because it is uncertain how many developers will take advantage of the density bonus.

Local Fiscal Effect: Increased density would likely require local governments to increase public services in affected areas. However, the amount by which local governments would have to increase these services cannot be precisely determined because the bill does not specify the amount of the bonus. In addition, it is uncertain how many developers will take advantage of the density bonus once it is established.

Local expenditures could also increase if additional staff are needed to establish and enforce efficiency standards. Local property tax revenues may increase as a result of any additional homes constructed and sold.

Small Business Effect: By allowing for the construction of additional energy efficient homes by way of density bonuses, this bill would increase opportunities for builders and suppliers who would be involved in the construction of the homes and resulting structures attributable to increased density (schools, stores, churches, etc.). Moreover, opportunities for manufacturers of energy efficient products, measures, and services would also increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Planning, Wicomico County, Prince George's County, Maryland Energy Administration, Governor's Office (Smart Growth), Department of Legislative Services

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ncs/jr

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