

**Department of Legislative Services**

Maryland General Assembly

2004 Session

**FISCAL AND POLICY NOTE**

**Revised**

House Bill 1304

(St. Mary's County Delegation)

Ways and Means

Education, Health, and Environmental Affairs

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**St. Mary's County - Impact Fees - Exceptions**

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This bill authorizes the St. Mary's County Commissioners to waive the county's building impact fee for up to 30 newly constructed living units and defer or provide for the amortization of the building impact fee for up to 50 newly constructed living units. This provision only applies to units that are: (1) deemed affordable for individuals whose family income in the previous fiscal year was less than 50% of the county median family income; and (2) within a certain square footage as determined by the county commissioners. The amount of the building impact fees waived, deferred, or amortized cannot exceed \$350,000 in any fiscal year. The county's operating budget must include the amount of impact fees waived, deferred, or amortized. In addition, the bill expands the uses of the building impact fee to include solid waste and park facilities.

The bill takes effect July 1, 2004 and terminates June 30, 2006.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** St. Mary's County revenues could decrease by up to \$350,000 in FY 2005 and 2006. County expenditures would not be affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Article 25 authorizes the St. Mary's County Commissioners to impose a building impact fee to defray the additional costs for educational, water, sewerage, road,

sanitation, or similar facilities. The St. Mary's County Code specifies the provisions for the building impact fee.

**Background:** Twelve counties currently impose either an impact fee or excise tax. Two additional counties (Garrett and Wicomico) are also authorized to impose impact fees; however, they have not imposed any fees at this time. Talbot County is in the process of imposing a building excise tax. The primary services funded with the impact fees or excise taxes include public school construction, transportation, parks and recreation, and solid waste. Eleven of the counties with impact fees or excise taxes can use the revenues for public school purposes. In Howard County, the revenues must be used for transportation purposes.

**Local Fiscal Effect:** St. Mary's County collects approximately \$3 million annually from its building impact fee. Pursuant to this legislation, up to \$350,000 in building impact fee revenues in fiscal 2005 and 2006 can be waived, deferred, or amortized. This represents approximately 11.7% of total building impact fee revenues. The purpose for waiving or deferring the building impact fee is to encourage the construction of affordable housing in St. Mary's County.

The median home price for new residential sales in St. Mary's County was \$179,400 in fiscal 2003. The median family income in St. Mary's County was \$61,397 in calendar 2000.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** St. Mary's County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2004  
mll/mdr Revised - House Third Reader - March 30, 2004  
Revised - Enrolled Bill - May 4, 2004

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**Exhibit 1**  
**Impact Fees/Building Excise Taxes on New Construction**  
**Fiscal 2004**

<u>County</u>	<u>Year Enacted</u>	<u>Rate Per Dwelling</u>	<u>FY 2004 Revenues</u>
Anne Arundel <sup>1</sup>	Ch. 350 of 1986	\$4,361	\$8,950,000
Calvert <sup>2</sup>	Ch. 232 of 2001	12,950	3,505,000
Caroline <sup>3</sup>	Ch. 474 of 2003	850 to 1,500	132,000
Carroll <sup>4</sup>	Ch. 108 of 1987	6,836	4,453,600
Charles <sup>5</sup>	Ch. 586 of 2002	9,700	10,263,000
Frederick <sup>6</sup>	Ch. 468 of 1990 Ch. 690 of 2001	9,616	8,959,700
Howard <sup>7</sup>	Ch. 285 of 1992	\$0.80/sq. ft.	6,000,000
Montgomery <sup>8</sup>	Ch. 808 of 1963 Ch. 707 of 1990	Various Rates	17,100,000
Prince George's <sup>9</sup>	Ch. 597 of 1990 Ch. 431 of 2003	12,000	18,000,000
Queen Anne's <sup>10</sup>	Ch. 410 of 1988	4,329	2,189,400
St. Mary's <sup>11</sup>	Ch. 814 of 1974	4,500	3,000,000
Talbot <sup>12</sup>	Ch. 48 of 2003	2,000	0
Washington <sup>13</sup>	Ch. 468 of 2003	\$0.50/sq. ft.	<u>696,000</u>
<b>Total</b>			<b>\$83,248,700</b>

<sup>1</sup>Anne Arundel County can use the impact fee revenues for public school construction, transportation, and public safety.

<sup>2</sup>Calvert County imposed an impact fee prior to 2001. Chapter 232 of 2001 established a building excise tax. The current tax is \$7,800 for schools, \$1,300 for recreation, \$3,500 for roads, and \$350 for solid waste.

<sup>3</sup>The current tax in Caroline County is \$2,000 for schools and \$100 to \$750 for agricultural land preservation. In addition, Article 25B, Section 13D enables the county to impose a development impact fee. Chapter 474 of 2003 set the maximum school excise tax at \$2,000 in fiscal 2004 only. The amount will be lowered to \$750 after fiscal 2004.

<sup>4</sup>The current fee in Carroll County is \$6,303 for schools and \$533 for parks.

<sup>5</sup>Chapter 586 of 2002 repealed the \$5,000 school construction impact fee in Charles County and established a new school construction excise tax. The tax may not exceed \$9,700 for a single-family detached home, \$9,200 for a town house, and \$7,000 for a multifamily housing unit.

<sup>6</sup>Chapter 468 of 1990 authorizes the Frederick County Commissioners to impose impact fees for the capital costs of additional or expanded public works. Chapter 690 of 2001 authorized the Frederick County Commissioners to impose a building excise tax for public road facilities. The county is authorized to impose impact fees for school construction and library development.

<sup>7</sup>Howard County imposes a building excise tax in lieu of an impact fee. The rate is \$0.80 per sq. ft. for residential construction; nonresidential is taxed at \$0.40/sq. ft.; first 500 sq. ft. is \$400. The county collects approximately \$6 million annually. The excise tax is for roadways.

<sup>8</sup>Montgomery County imposes several regional impact fees. The transportation fee for single-family detached housing is \$2,750 for Metro Station, \$8,250 for Clarksburg, and \$5,500 for the General district. The countywide school impact fee is \$8,000 for a single-family detached unit, \$6,000 for a single-family attached unit, \$4,000 for multifamily units, and \$1,600 for high-rise residential.

<sup>9</sup>Chapter 431 of 2003 increased the surcharge in Prince George's County to \$12,000 per dwelling beginning in fiscal 2004 with the rate adjusted for inflation beginning in fiscal 2005. The surcharge increases to \$7,000 per dwelling for buildings located between Interstate 495 and the District of Columbia and for buildings included within a basic plan or conceptual site plan that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority.

<sup>10</sup>Queen Anne's County received authority to impose an impact fee in 1988, prior to the county becoming a code home rule county. In addition, Article 25B, Section 13D enables the county to impose a development impact fee. The impact fee is for public schools and emergency services.

<sup>11</sup>In St. Mary's County the impact fee can be used for educational, water, sewerage, road, sanitation, or similar facilities.

<sup>12</sup>Talbot County is authorized to impose a maximum \$2,000 building excise tax for the purpose of financing capital costs relating to bridges, streets and roads, parks and recreational facilities, schools, and storm drainage facilities. The fiscal note to HB 701 of the 2003 session which established the building excise tax estimated annual revenues of \$644,000 assuming the county council imposes the maximum tax. The county plans to implement the excise tax in fiscal 2005.

<sup>13</sup> In Washington County, the excise tax can be used for school construction, public safety, public infrastructure, and debt reduction.