

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 281

(Senator Dyson)

Education, Health, and Environmental Affairs

Environmental Matters

Affordable Housing Programs - Waiver or Modification of Fees and Charges -
Enabling Authority for Counties and Municipalities

This bill authorizes a county or municipality to waive or modify building permit or development impact fees and charges that are not mandated under State law for the construction or rehabilitation of lower-income housing units in order to support, foster, or promote an affordable housing program.

The bill terminates September 30, 2011.

Fiscal Summary

State Effect: None. The reporting requirements could be handled with existing resources within the Department of Housing and Community Development.

Local Effect: Local government revenues could decrease to the extent a county or municipality waives or modifies applicable fees or charges for construction or rehabilitation of lower-income housing.

Small Business Effect: Minimal.

Analysis

Bill Summary: Local governments are authorized to waive or modify building permit or development impact fees and charges for the construction or rehabilitation of lower-income housing units in proportion to the number of lower-income housing units of a development. The lower-income housing units must be financed, in whole or in part,

by public funding that requires mortgage restrictions or recorded covenants restricting the rental or sale of the housing units to lower-income residents in accordance with specific government program requirements; or be developed by a nonprofit organization that

- has been exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code for at least three years; and
- requires the homebuyer to participate in the construction or rehabilitation of the housing unit.

The Department of Housing and Community Development must report to the General Assembly by October 1, 2010 on the counties and municipalities that waived or modified permit or development fees; the number and type of housing units for which fees were waived or modified; and the amount of fees waived and collected in accordance with this Act.

Current Law: Chapter 300 of 2007 authorized counties or municipalities to support, foster, or promote an affordable housing program for individuals or families of low or moderate income by specified means, including

- providing funding or property,
- supporting payment in lieu of taxes programs, or
- enacting legislation to restrict prices or require development of affordable housing as part of a subdivision in return for added density.

Background: The generally accepted definition of housing affordability is when a household pays no more than 30% of its annual income on housing. Families who pay more than 30% for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The 2004 final report of the Governor's Commission on Housing Policy stated that as of 2000, one-third of Maryland households paid more than 30% of their income on rent. The report also stated that over the following 10 years there would be a shortage of 157,000 workforce/affordable rental units in the State.

In Maryland, the median home price for owner-occupied real property was \$315,000 in fiscal 2007, a 108.6% increase over the median price in fiscal 2001 of \$151,000. For comparison purposes, the median household income increased by 18.4% over roughly the same period. The median price in fiscal 2007 ranged from \$109,875 in Allegany County to \$437,750 in Montgomery County. Western Maryland is the most affordable location in the State to purchase a home; whereas, Montgomery County and parts of the Eastern Shore are the least affordable. The housing affordability index compares the median home price in a jurisdiction with the median household income. In Allegany County, the median home price is 2.9 times higher than the median household income, whereas in Talbot County, the median home price is 6.6 times higher than the median household income. **Exhibit 1** shows the median household income and the median price for homes by county. A comparison of the growth in household income and home prices is provided in **Exhibit 2**.

Development impact fees and building excise taxes are imposed in 16 counties (with one county imposing both an impact fee and an excise tax), generating \$123.4 million in revenues in fiscal 2007 as shown in **Exhibit 3**.

Additional Information

Prior Introductions: None.

Cross File: HB 742 (Delegate Carr, *et al.*) – Environmental Matters.

Information Source(s): Town of Bel Air, Town of Leonardtown, City of Salisbury, Baltimore City, Montgomery County, Prince George’s County, Talbot County, Wicomico County, State Department of Assessments and Taxation, Governor’s Commission on Housing Policy, Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2008
ncs/lgc Revised - Senate Third Reader - March 31, 2008
Revised - Enrolled Bill - May 5, 2008
Revised - Correction - November 13, 2008

Analysis by: Scott D. Kennedy

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

Exhibit 1
Maryland Median Household Income and Home Price

County	<u>Median Household Income</u>		<u>Median Home Price</u>	
	CY 2006	% State Average	FY 2007	% State Average
Allegany	\$38,400	57.7%	\$109,875	34.9%
Anne Arundel	79,950	120.0%	339,900	107.9%
Baltimore City	37,850	56.8%	159,625	50.7%
Baltimore	63,150	94.8%	262,850	83.4%
Calvert	87,400	131.2%	324,900	103.1%
Caroline	47,200	70.9%	275,000	87.3%
Carroll	75,050	112.7%	340,000	107.9%
Cecil	62,100	93.2%	260,000	82.5%
Charles	78,450	117.8%	348,475	110.6%
Dorchester	42,500	63.8%	214,000	67.9%
Frederick	80,650	121.1%	329,900	104.7%
Garrett	40,850	61.3%	145,500	46.2%
Harford	74,600	112.0%	269,900	85.7%
Howard	93,050	139.7%	392,000	124.4%
Kent	49,750	74.7%	264,000	83.8%
Montgomery	87,500	131.4%	437,750	139.0%
Prince George's	70,250	105.5%	325,000	103.2%
Queen Anne's	73,800	110.8%	378,911	120.3%
St. Mary's	63,200	94.9%	315,000	100.0%
Somerset	35,250	52.9%	159,900	50.8%
Talbot	54,350	81.6%	360,000	114.3%
Washington	51,650	77.6%	239,450	76.0%
Wicomico	47,350	71.1%	200,000	63.5%
Worcester	53,100	79.7%	265,000	84.1%
Maryland	\$66,600	100.0%	\$315,000	100.0%

Source: State Department of Assessments and Taxation, Department of Legislative Services

Exhibit 2
Comparison of Income Growth and Housing Cost by County

County	Median Household Income			Median Home Price			Ranking by			Ranking by		
	CY 2000	CY 2006	% Chng.	FY 2001	FY 2007	% Chng.	Increase in Home Price		Housing Affordability			
Allegany	\$32,200	\$38,400	19.3%	\$65,000	\$109,875	69.0%	1.	Caroline	152.3%	1.	Allegany	2.9
Anne Arundel	66,400	79,950	20.4%	156,800	339,900	116.8%	2.	Dorchester	144.6%	2.	Garrett	3.6
Baltimore City	30,600	37,850	23.7%	68,500	159,625	133.0%	3.	Baltimore City	133.0%	3.	Harford	3.6
Baltimore	53,200	63,150	18.7%	130,000	262,850	102.2%	4.	Prince George's	124.3%	4.	Calvert	3.7
Calvert	70,150	87,400	24.6%	169,900	324,900	91.2%	5.	Queen Anne's	124.1%	5.	Frederick	4.1
Caroline	40,450	47,200	16.7%	109,000	275,000	152.3%	6.	Somerset	119.8%	6.	Baltimore	4.2
Carroll	64,450	75,050	16.4%	173,900	340,000	95.5%	7.	Montgomery	118.9%	7.	Cecil	4.2
Cecil	53,050	62,100	17.1%	134,000	260,000	94.0%	8.	Talbot	117.4%	8.	Howard	4.2
Charles	66,750	78,450	17.5%	169,000	348,475	106.2%	9.	Anne Arundel	116.8%	9.	Baltimore City	4.2
Dorchester	36,200	42,500	17.4%	87,500	214,000	144.6%	10.	St. Mary's	114.3%	10.	Wicomico	4.2
Frederick	64,800	80,650	24.5%	161,000	329,900	104.9%	11.	Kent	112.9%	11.	Anne Arundel	4.3
Garrett	34,150	40,850	19.6%	82,000	145,500	77.4%	12.	Worcester	107.0%	12.	Charles	4.4
Harford	60,600	74,600	23.1%	148,000	269,900	82.4%	13.	Charles	106.2%	13.	Carroll	4.5
Howard	79,800	93,050	16.6%	198,000	392,000	98.0%	14.	Frederick	104.9%	14.	Somerset	4.5
Kent	41,300	49,750	20.5%	124,000	264,000	112.9%	15.	Washington	103.0%	15.	Prince George's	4.6
Montgomery	77,400	87,500	13.0%	200,000	437,750	118.9%	16.	Baltimore	102.2%	16.	Washington	4.6
Prince George's	58,550	70,250	20.0%	144,894	325,000	124.3%	17.	Howard	98.0%	17.	St. Mary's	5.0
Queen Anne's	62,150	73,800	18.7%	169,050	378,911	124.1%	18.	Carroll	95.5%	18.	Worcester	5.0
St. Mary's	56,750	63,200	11.4%	147,000	315,000	114.3%	19.	Cecil	94.0%	19.	Montgomery	5.0
Somerset	30,900	35,250	14.1%	72,750	159,900	119.8%	20.	Calvert	91.2%	20.	Dorchester	5.0
Talbot	45,500	54,350	19.5%	165,625	360,000	117.4%	21.	Wicomico	83.5%	21.	Queen Anne's	5.1
Washington	43,150	51,650	19.7%	117,950	239,450	103.0%	22.	Harford	82.4%	22.	Kent	5.3
Wicomico	40,600	47,350	16.6%	109,000	200,000	83.5%	23.	Garrett	77.4%	23.	Caroline	5.8
Worcester	42,450	53,100	25.1%	128,000	265,000	107.0%	24.	Allegany	69.0%	24.	Talbot	6.6
Maryland	\$56,250	\$66,600	18.4%	\$151,000	\$315,000	108.6%						

Exhibit 3

Maryland Counties with Development Impact Fees or Excise Taxes

County	Type	FY 2008 Rate Per Dwelling ¹	FY 2007 Revenues
Anne Arundel	Impact Fee	\$4,904	\$9,235,359
Calvert	Excise Tax	12,950	3,990,000
Caroline ²	Excise Tax	5,000	351,178
Carroll	Impact Fee	6,836	1,547,977
Charles	Excise Tax	11,400	2,469,035*
Dorchester ³	Excise Tax	3,671	1,007,908
Frederick ⁴	Both	13,121	11,159,465
Harford	Impact Fee	8,269	4,700,428
Howard ⁵	Excise Tax	See note	13,107,941
Montgomery ⁶	Excise Tax	31,105	20,718,825
Prince George's ⁷	Excise Tax	19,864	41,994,549*
Queen Anne's	Impact Fee	\$3.93/sq. ft.	1,599,957
St. Mary's	Impact Fee	4,500	3,794,275*
Talbot ⁸	Impact Fee	5,513	1,919,972
Washington	Excise Tax	13,000	4,817,695
Wicomico	Impact Fee	5,231	1,017,662
Total			\$123,432,226

¹ Rates listed are generally those applicable to single-family detached dwellings.

² A \$750 development excise tax for agricultural land preservation is also imposed on single-family residential lots created by subdivision in a "rural district."

³ A slightly higher rate, \$3,765 per dwelling, applies outside of the Cambridge and Hurlock areas.

⁴ The fiscal 2008 rate shown reflects the public school and library impact fee total. The roads tax is \$0.10/sq. ft. or \$0.25/sq. ft. (depending on the square footage), with the first 700 square feet not taxed.

⁵ Roads tax is \$0.88/sq. ft. School surcharge is \$1.09/sq. ft.

⁶ Amount represents \$10,649 for transportation and \$20,456 for schools. The school excise tax is increased by \$2 for each square foot between 3,500 and 8,500 gross square feet. Different transportation rates apply in the Metro Station and Clarksburg impact tax districts. The rates reflect increases adopted by the county council on November 13, 2007, that took effect December 1, 2007.

⁷ Amount represents \$13,493 for school facilities and \$6,371 for public safety. A lower school facilities rate (\$7,870) applies inside the beltway and a lower public safety rate (\$2,124) applies inside the "developed tier" as defined in the 2002 Prince George's County Approved General Plan.

⁸ A lower rate (\$4,764) applies to "in-town" development.

* Revenue figure identified by county as recorded revenues prior to being audited for that fiscal year.

Note: Due to the timing of the survey from which the fiscal 2007 revenue numbers were collected, revenues reported by counties other than those specifically identified may also be unaudited.

Source: Department of Legislative Services