

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 1043 (Senator Harrington)

Education, Health, and Environmental Affairs

Environmental Matters

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Prince George's County - Development Impact Fees

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This bill increases the limit on the amount of an impact fee that the Prince George's County Council may impose, under existing law, on single-family residences to finance transportation projects to accommodate new construction or development. The current \$1,000 per unit limit is increased to \$3,000 per unit in the developed tier, as defined in the 2002 Prince George's County Approved General Plan, and \$5,000 per unit in the developing tier or the rural tier.

The bill takes effect July 1, 2009.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** The bill does not directly affect Prince George's County finances, but will allow for additional revenue to be generated in the event an impact fee is imposed in the future.

**Small Business Effect:** Potential meaningful.

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Analysis

**Current Law:** The Prince George's County Council is authorized to impose and provide for the collection of development impact fees for financing up to 50% of the capital costs of additional or expanded transportation projects required to accommodate new construction or development. Among other requirements, any impact fees imposed must be adopted in accordance with a general statement of public policy adopted by the

council to impose impact fees in areas of the county where the level of new construction or development is creating a need for additional or expanded transportation projects. The impact fees imposed for single-family residences may not exceed \$1,000 per unit.

**Background:** Prince George's County currently imposes school facilities and public safety surcharges on new residential construction. The authorization for the county council to impose impact fees to finance up to 50% of the capital costs of transportation projects necessary to accommodate new construction or development was enacted under Chapter 596 of 1990, but the county does not impose impact fees under that authority.

The Prince George's County school facilities surcharge in fiscal 2009 is \$14,019 for development outside the beltway and \$8,177 for development inside the beltway. The public safety surcharge in fiscal 2009 is \$6,619 for development outside of the "developed tier," as defined in the 2002 Prince George's County Approved General Plan, and \$2,207 within the developed tier. The surcharges are collected at the time a building permit is issued. The Prince George's County Department of Environmental Resources issued 1,661 building permits for new residential construction in fiscal 2008, down from 2,380 issued in fiscal 2007. Prince George's County collected \$47.7 million in development surcharges in fiscal 2007 and is projected to collect \$27.6 million in fiscal 2008.

#### *Transportation Funding Needs in Prince George's County*

Recent deferrals of Consolidated Transportation Program projects due to funding shortfalls have exacerbated the current needs for funding transportation improvements (even before new development has occurred) in Prince George's County, and impact fees provide a mechanism for an equitable share of local funding to be obtained from new development. The Prince George's County Planning Department indicates that analysis of the funding needs along Route 4 in the developing Westphalia area of Prince George's County show that the current \$1,000 per single-family residence impact fee limit is too low to allow an equitable share of the funding to be obtained under the impact fee authority.

#### *Development Impact Fees*

A development impact fee is a regulatory measure designed to fund facilities specifically required by new development projects in order to mitigate the impact of such development on infrastructure or public facilities. However, there must be a reasonable connection between the amount of the impact fee imposed and the actual cost of providing facilities to the properties assessed. In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review.

Development impact fees are imposed in eight counties – Anne Arundel, Carroll, Frederick, Harford, Queen Anne’s, St. Mary’s, Talbot, and Wicomico. Frederick County imposes both an impact fee and an excise tax on development. In fiscal 2008, the impact fees in these jurisdictions generated an estimated \$23.8 million in revenue.

**Local Fiscal Effect:** The bill does not directly affect Prince George’s County finances as the county does not currently impose an impact fee to finance capital costs of additional or expanded transportation projects. To the extent the Prince George’s County Council imposes such a fee in the future, the increased limits on the amount that may be imposed on single-family residences would allow for a greater amount of revenue to be generated from the fee from residential construction.

**Small Business Effect:** Small business residential developers and builders may be meaningfully impacted to the extent the Prince George’s County Council imposes an impact fee on single-family residences above \$1,000 in the future. Development charges can add to the cost of a home, potentially affecting developers’ and builders’ ability to sell inventory. Currently, a new single-family residence in Prince George’s County can be subject to development charges of up to \$20,638 (reflecting the school facilities surcharge for development outside the beltway and the public safety surcharge for development outside the developed tier).

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Prince George’s County, Maryland-National Capital Park and Planning Commission, Maryland-National Capital Building Industry Association, Department of Legislative Services

**Fiscal Note History:** First Reader - March 26, 2009  
ncs/hlb Revised - Senate Third Reader - April 10, 2009

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