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FISCAL AND POLICY NOTE
Revised

House Bill 1048

(Prince George's County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

Prince George's County - School Facilities Surcharge Exemption - Capitol College
Student Housing and Residential Revitalization Projects
PG 408-14

This bill establishes two exemptions from the Prince George's County school facilities surcharge. The first is for specified student housing at Capitol College and the second is for single-family attached dwelling units that meet specified criteria.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues from the school facilities surcharge decrease beginning in FY 2015. The actual amount of the revenue decrease depends on the number of exemptions granted and the amount of the surcharge imposed. County expenditures are not directly affected. Based upon existing residential development trends in the county, the proposed exemptions may reduce county revenues by a significant amount. Consequently, this will result in less revenue dedicated to public school construction in the county. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: To qualify for the exemption, the student housing must be located within the campus of Capitol College in an area adjacent to and east of Springfield Road in parcels 1 and 2 in the subdivision of land known as “parcels 1 and 2, Capitol Institute of Technology,” as per plat recorded in Plat Book NLP 115 at plat 31 among the land records of Prince George’s County.

To qualify for the exemption, single-family attached dwelling units must be (1) located in a residential revitalization project; (2) located in the developed tier as defined in the Prince George’s County general plan; (3) located in a Transforming Neighborhood Initiative (TNI) area; (4) located on the same property as previously existing multifamily dwelling units; (5) developed at a lower density than the previously existing multifamily dwelling units; (6) offered for sale only on a fee simple basis; and (7) located on a property that is less than six acres in size.

Current Law: Prince George’s County imposes a school facilities surcharge on specified new residential construction to support new school construction in the county. The school facilities surcharge is a fee collected at the time of the issuance of the building permit. The resulting revenue is distributed to a special fund that supplements new school construction costs in the county.

The school facilities surcharge does not apply to mixed retirement developments, elderly housing, or any property located in an infrastructure finance district approved prior to January 1, 2000. In addition, the surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision, provided that the owner intends to use it as the owner’s personal residence. Finally, multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park campus are also exempted from the surcharge.

Chapter 685 of 2013 required that for fiscal 2014 through 2019, the Prince George’s County school facilities surcharge be reduced by 50% for multifamily housing constructed (1) within an approved transit district overlay zone; (2) within one-quarter mile of a Metro station; or (3) within the Bowie State MARC Station Community Center Designation Area, as defined in the approved Bowie State MARC Station Sector Plan and Sectional Map Amendment. In addition, the school facilities surcharge does not apply to studio or efficiency apartments that are located (1) within the specified county urban centers and corridors; (2) within an approved transit district overlay zone; or (3) within one-quarter mile of a Metro station.

Background: Capitol College is a private nonprofit college located in Laurel that is dedicated to engineering, computer science, information technology, and business. Founded in 1927, the college offers bachelor of science degrees in 12 undergraduate areas of study, seven master's degrees, and a doctor of science in information assurance. Capitol College currently enrolls approximately 750 students including 350 undergraduates and 400 postgraduates. The campus consists of 52 acres and includes six residence halls that can accommodate 120 students. The residence halls consist of 15 apartments that each house between six and eight students.

Prince George's County School Facilities Surcharge

Chapter 431 of 2003 increased the school facilities surcharge from \$5,000 per unit to \$12,000 for applications filed on or after July 1, 2003, for new residential construction projects. Chapter 431 also required the surcharge to be adjusted annually based on the Consumer Price Index (CPI) beginning in fiscal 2005.

The Prince George's County Executive is required to submit an annual report on the school facilities surcharge to the Prince George's County Council and to the Prince George's County legislative delegation. The report must include a detailed description of how fees were expended and the amount of fees collected.

The school facilities surcharge collection process is administered by the Prince George's County Department of Permitting, Inspections, and Enforcement (DPIE). Prior to July 1, 2013, it was administered by the Prince George's County Department of Environmental Resources (DER). Effective July 1, 2013, the school facilities surcharge amount was set at \$8,858 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,185 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2013 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenue to support a portion of new debt issued for school construction projects.

As of June 1, 2013, Prince George's County had \$265.0 million in school facilities surcharge supported general obligation bonds. Also, the county had a fund balance of \$85.6 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2013
(\$ in Millions)

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>SFS Revenues</u>	<u>SFS Expenditures</u>
2005	1,960	\$26.7	\$11.4
2006	2,667	42.8	14.4
2007	2,380	47.4	11.7
2008	1,661	27.6	23.8
2009	1,102	14.7	28.8
2010	1,189	15.9	49.0
2011	1,002	14.3	21.7
2012	660	22.8	20.5
2013	874	29.3	22.6
Total	13,495	\$241.5	\$203.9

Source: Prince George's County

Local Fiscal Effect: Prince George's County revenues from the school facilities surcharge will decrease beginning in fiscal 2015 depending on the number of properties located within the specified area of Capitol College as well as those in the developed tier that qualify for the exemption and the amount of the surcharge imposed. The actual amount cannot be reliably estimated.

Prince George's County advises that, under current law, any multifamily units built within the areas described in the bill are subject to the school facilities surcharge fee of \$8,858 or \$15,185 per unit, depending on where the units are located. As noted, Capitol College has six residential halls, consisting of 15 apartments that house six to eight students. The county reports that revenues from new multifamily construction accounted for \$12.6 million, or 48%, of the total school facilities surcharge revenues collected in fiscal 2012. In fiscal 2013, collections increased by 28% compared to fiscal 2012. Much of this gain is attributed to one-time revenues from large multifamily development projects, including a 262-unit apartment building located near National Harbor.

Based upon existing residential development trends in the county, the proposed exemptions to the school facilities surcharge may reduce county revenues by a significant

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amount. Consequently, this will result in less revenue dedicated to public school construction in the county. If, *for illustrative purposes only*, there are 25 new student apartments constructed in the designated area of Capitol College and 100 single-family attached dwelling units constructed in specified areas of the developed tier, school facilities surcharge revenues will decrease by approximately \$1.3 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Capitol College, State Department of Assessments and Taxation, Department of Legislative Services

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