

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 235

(Prince George's County Delegation)

Environment and Transportation

Education, Health, and Environmental Affairs

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Prince George's County - School Facilities Surcharge - Affordable Housing  
Requirement (The Affordable Housing Act of 2018)  
PG 414-18

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This bill specifies that certain exemptions and reductions to the Prince George's County school facilities surcharge do not apply unless at least 20% of the new residential construction is designated as affordable housing for residents whose income does not exceed 80% of the area median income for Prince George's County established by the U.S. Department of Housing and Urban Development. In addition, the bill extends the existing exemptions from the Prince George's County school facilities surcharge established under Chapter 685 of 2013 until September 30, 2021. Under current law, these exemptions terminate on September 30, 2018. **The bill takes effect July 1, 2018.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Prince George's County revenues from the school facilities surcharge will continue to decrease beyond FY 2018 as a result of the termination extension. The actual revenue decrease depends on the number of exemptions granted and the amount of the surcharge imposed. The potential decrease may be mitigated to the extent that certain residential developments do not meet the specified affordable housing or income requirements. County expenditures are not directly affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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## Analysis

**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. In addition, specified student housing located within the campus of Capitol Technology University 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 is also exempt.

Chapter 685 of 2013 required that 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. Chapter 685 sunsets September 30, 2018.

Chapter 733 of 2016 repealed the school facilities surcharge exemption for multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park Campus. The legislation specified that the school facilities surcharge does not apply to multifamily housing that is located in the City of College Park and designated as graduate student housing by the City of College Park. However, the Prince George’s County Council may, by resolution, reverse a designation by the City of College Park of multifamily housing as graduate student housing within 60 days of the designation. Chapter 733 also required the owner of the property to pay, at the time of the conversion, the school facilities surcharge in accordance with the laws at the time of the conversion if the housing is converted from graduate student housing to multifamily housing for the general population.

An exemption from the school facilities surcharge also applies to single-family, attached dwellings that are (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 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.

Chapter 455 of 2017 required Prince George's County to impose a reduced school facilities surcharge for specified residential construction that abuts an existing or planned mass transit rail station site operated by the Maryland Transit Administration. Chapter 455 also authorized the Prince George's County Council to reduce the school facilities surcharge by a percentage not exceeding 50% for dwelling units in multifamily housing constructed where there is no approved transit district overlay zone, within one-quarter mile of a Purple Line Station.

Chapter 455 also established a Prince George's County Surcharge Exemptions for Projects Near Transit Properties Workgroup to examine reductions, waivers, and exemptions from school facilities and public safety surcharges. The workgroup was required to report its findings and recommendations to the Prince George's County Council, the Prince George's County School Board, and the members of the Prince George's County Delegation to the General Assembly by December 31, 2017. As of March 2018, the report has not been submitted.

**Background:** 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 beginning in fiscal 2005.

The school facilities surcharge collection process is administered by the Prince George's County Department of Permitting, Inspections, and Enforcement (DPIE). Effective July 1, 2016, the school facilities surcharge amount was set at \$9,116 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,628 for all other locations.

**Exhibit 1** shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2017 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenues to support a portion of new debt issued for school construction projects.

As of June 2016, Prince George's County had \$289.7 million in school facilities surcharge supported general obligation bonds. As of fiscal 2017, the county had a fund balance of \$69.3 million in school facilities surcharge revenues.

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**Exhibit 1**  
**Single-family Residence Permits Issued and**  
**School Facilities Surcharge Revenues and Expenditures**  
**Fiscal 2005-2017**  
**(\$ 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	907	29.3	22.6
2014	748	24.3	36.5
2015	814	23.4	28.1
2016	865	32.3	29.4
2017	829	28.5	30.8
<b>Total</b>	<b>16,784</b>	<b>\$350.0</b>	<b>\$328.7</b>

SFS: school facilities surcharge

Source: Prince George's County

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Prince George's County; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2018  
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